

Draft Equalities Statement **The 2020-21 Provisional Government Finance Settlement**

1. Brief outline of policy proposal

This draft equality statement covers the Government's local government finance settlement for 2020-21. Explanation of the measures announced in the settlement can be found in the documents:

- Provisional Local Government Finance Settlement consultation document
- Summary of responses to the 2020-21 Local Government Finance Settlement Technical Consultation

As well as in associated documentation, all of which can be found here:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2020-to-2021>

Following the 2019 Spending Round, the local government finance settlement responds to local authorities' requests for stability in this one-year period by proposing to roll forward the 2019-20 settlement funding assessment, to assist their budget planning at short notice. The 2019-20 settlement was the last year of the four year settlement allocation agreed by 97% of authorities in 2016-17. You can find a link to the final equality statement for the 2019-20 settlement here:

<https://www.gov.uk/government/publications/final-local-government-finance-settlement-2019-to-2020-equality-statement>

In summary, the key policy provisions within the provisional local government finance settlement for 2020-21 are:

- Upgrading the 2019-20 Settlement Funding Assessment in line with the change in the small business non-domestic rating multiplier.
- A new £1.41 billion Social Care Grant for adult and children's services, including £1 billion of new funding.
- Maintaining existing improved Better Care Fund funding at 2019-20 levels, as well as rolling the £240 million which was allocated as Winter Pressures Grant in 2019 into the improved Better Care Fund, with the same distribution as this year.
- Committing to retain the top-slice of Revenue Support Grant to fund New Homes Bonus in 2020-21 at £900 million.
- Continuing Rural Services Delivery Grant at £81 million, with all recipients receiving the same amount as in 2019-20.
- The following Council Tax Referendum Principles:
 - a core principle of up to 2%, applicable to shire county councils, unitary authorities, London borough councils, the Common Council of the City of London, the Council of the Isles of Scilly, the general precept of the Greater London Authority, and fire and rescue authorities, including Police and Crime Commissioner Fire and Rescue Authorities.
 - an adult social care precept for local authorities with responsibility for adult social care services of 2% on top of the core principle.

Draft Equalities Statement
The 2020-21 Provisional Government Finance Settlement

- a bespoke council tax referendum principle of 2% or £5, whichever is higher, for shire district councils.
- no referendum principles for Mayoral Combined Authorities or town and parish councils.

2. Foreseeable impacts of policy proposal on people who share protected characteristics

The Government held a technical consultation on the 2020-21 local government finance settlement and sought views on the potential effects of these policies on those who shared a protected characteristic. Of the 219 respondents to the consultation, 44 commented on the potential impact on people with protected characteristics. This included 8 responses which commented that residents would be negatively affected on the basis of age (children and the elderly), and 5 which commented that people with disabilities would be affected.

There are four proposals within the package of policy measures which could have an impact on people who shared protected characteristics. These are:

1. Change in the level of Settlement Funding Assessment between 2019/20 and 2020/21

The majority of concerns in the technical consultation regarding equalities were based upon a perceived lack of funding for public services. The proposed settlement for local government responds to the pressures councils are facing by providing access to the largest increase Core Spending Power since 2015.

Councils provide various services which target or impact persons which share a protected characteristic, only some of which are required by statute. As a result, changes in the amount of Settlement Funding Assessment available to local authorities has the potential to impact a local authority's ability to provide these services, and therefore impact persons sharing protected characteristics. An increase in the level of Settlement Funding Assessment might be expected to improve an authority's ability to provide services to such persons.

However, the role of the Secretary of State for Housing, Communities and Local Government is to establish the overall framework for local government funding from central government. Local authorities decide on how their resources are allocated. In exercising their functions, including when making policy and spending decisions, local authorities must have due regard to Public Sector Equality Duty ("PSED") under section 149(1) of the Equality Act 2010. Central funding and retained business rates are not ring-fenced and councils are responsible for the distribution and allocation of these resource across local priorities. Therefore, it is not possible to foresee how the changes will affect specific groups of persons sharing a protected characteristic, as this will be dependent on decisions that are made locally.

2. Change in the Council Tax referendum principles

Under the Local Government Finance Act 1992, local authorities in England must calculate a council tax requirement for each financial year. Authorities have the discretion to set this amount and the resulting council tax charge for individual households at the level they think appropriate. However, increases in the level of average band D bills which exceed a level determined by the Secretary of State must be approved by local residents in a referendum.

For 2020/21, the Government proposes to set a core principle of 2% (with additional flexibilities for adult social care authorities and shire district councils). This is lower than the core principle of 3% for 2019-20, as the Government has sought to strike a balance between allowing local

Draft Equalities Statement
The 2020-21 Provisional Government Finance Settlement

authorities the flexibility to address specific pressures and giving council tax payers the final say on excessive rises in their bills. The lower principle will allow local authorities to generate some additional income for local services without holding a referendum, including services for people with protected characteristics. The lower core principle is likely to limit the financial pressure on local council tax payers who share a protected characteristic.

3. Increase in Social Care grant

To address social care pressures, an additional £1 billion in grant funding has been allocated in addition to the £410m that, in the previous year was allocated as Social Care support grant and we are proposing to allocate this year as part of the larger Social Care grant. Local authorities will also be able to raise additional resources through the adult social care precept. This grant will be distributed through the existing Adult Social Care relative needs formula with £150m of this £1.41bn being used to equalise the impact of the adult social care council tax precept. The equalisation will ensure that local authorities relative needs are taken into consideration and therefore allocates funding to where it is needed.

The grant will not be ring-fenced, and there will be no conditions, reporting requirements, or expectations of how much should be spent on adult and children's social care respectively. Local authorities understand the needs of their communities best, and will have discretion about how to allocate this funding. As a result, for the reasons set out above it is difficult to measure how the increase in social care funding will impact upon those sharing protected characteristics – though it might be expected to improve authorities' abilities to provide services to such persons.

4. Reduction to Boston's Revenue Support Grant

Boston Borough Council made errors in reporting its council tax levels to the Department in previous years, which led to it receiving grant to which it was not entitled. To prevent any continuing overpayment in 2020-21, the Government proposes to reduce its Revenue Support Grant allocation. This reduction in funding could impact on individuals with protected characteristics (particularly those with the protected characteristics of age and disability), due to the nature of the services funded by local authorities, only some of which are required by statute. However, the proposed reduction represents a small reduction in income which the authority would not have received had it not made the error. The authority is able to reflect this reduction in its budget planning as it thinks fit, and has general reserves available to draw upon if necessary. It will remain under a duty to assess the equalities impact of any choices it makes about the provision of local services as a result of the reduction. As such, whilst it is not possible to foresee how the reduction will affect specific groups of persons sharing protected characteristics in the authority's area, it does not seem likely that there will be a "substantial" impact.

3. Do you need any more information to assess Q2 above? If so, how will you obtain it?

At this stage, the Government is again seeking local authorities' views on the provisional local government finance settlement and the potential effects of these policies on those who share a protected characteristic.

Draft Equalities Statement
The 2020-21 Provisional Government Finance Settlement

4. In light of the overall policy objectives, are there ways to avoid or mitigate any negative impacts you have noted in Q2 above?

The Government recognises the various concerns that local authorities have expressed in relation to the local government finance settlement for 2020-21, most recently at the technical consultation. A number of additional funding streams will be made available to local authorities to help alleviate any pressures in the upcoming year. They can be used to mitigate any potential negative impacts and to assist members of the protected groups. These additional funding streams include:

- The Government has announced that it will maintain the level of the improved Better Care Fund, at the same level that it was in 2019-20 using the same distribution methodology. The existing Winter Pressures grant will also continue at the same level, £240m, but will not be ring-fenced and will be rolled into the Winter Pressures Grant. The grant will support local authorities by helping to manage the pressures on adult social care over the winter months, reducing pressure on the NHS.
- The Government will also maintain the level of Rural Services Delivery Grant that was proposed in the 2019-20 settlement, at £81m. This grant will support local authorities that incur additional costs as a result of rurality – it wasn't ring-fenced and was paid as section 31 grant to the upper quartile of authorities based on the super-sparsity indicator, which is the best available proxy for rurality.
- The Government has also confirmed the continuation of New Homes Bonus, maintaining the baseline at its 2019-20 level of 0.4%. This will continue to fund legacy payments associated with previous allocations as well as providing resources for a new round of allocations in 2020-21.
- The Government has resolved to eliminate negative RSG via forgone business rates receipts. Negative RSG is a direct consequence of the distribution methodology adopted for the 2016-17 settlement. Under this methodology, for many less grant dependent authorities (i.e. those with high business rates baseline funding and council tax relative to their 'need', as calculated in 2013-14 when baseline funding allocations were last set) the required reduction in Core Funding exceeded their available RSG and so tariffs and topups were to be adjusted so that an increased amount of business rates were redistributed away from the authority and towards other authorities. This has colloquially become known as 'negative RSG', and is relevant because the 2020-21 settlement is rolling forward Settlement Funding Allocations from the 2019-20 settlement.

The overall impact of substantial extra resources for local authorities, on persons with protected characteristics will be positive. It supports local government in addressing rising demand for public services that they are likely to use and responds to pressures councils are facing.

In addition to the additional funding, there are other measures which have helped mitigate any potential adverse equalities impacts of reduced funding for local government. These are:

- Since the 2015 Spending Review the Government has adopted an approach to allocating central funding which recognises the role council tax plays in funding power and ensures that council delivering the same set of services receive the same percentage change in 'settlement core funding'. This was a feature of the four-year deal between 2016/17 and 2019/20, and is carried forward into the Government's proposals for the 2020/21 settlement (which increases allocations based on a fixed percentage in line with inflation). This helps to direct resources to councils that need them the most, reducing the potential negative impact on local service provision.

Draft Equalities Statement
The 2020-21 Provisional Government Finance Settlement

- The business rates safety net that ensures that no authority's income from business rates falls below 92.5% of their individual baseline funding level for the year. This will help protect local services by insuring authorities against the risk of unexpected, dramatic falls in business rates income.
- The capital receipts flexibility scheme which gives local authorities freedom to re-invest asset receipts in improving services. Capital receipts are the proceeds from sales of local authority-owned assets, including land, buildings and equipment. Previously, local authorities were restricted to using capital receipts for capital spending, but not revenue spending. The flexibility scheme allows them to now re-invest asset receipts more broadly in improving services rather than purely through capital spending. The Government has committed to this scheme until the end of the 2021/22 financial year.

As noted above, any potential impacts at a local level would be dependent on decisions made at that level on the allocation of funding to particular local services. Therefore, specific impacts have not been identified at local authority level. The Government is committed to designing new policies in a way that gives local government more control over their own funding and reduces their reliance on central government funding. This funding could be used to meet the needs of persons who share one or more of the protected characteristics set out in the PSED.

5. In light of this analysis, what is recommended and why?

In analysing the department's proposals as outlined in the earlier local government finance settlement technical consultation, we have not identified any compelling evidence that the 2020-21 settlement will have a "substantial" equalities impact. The extent of equalities impact will also depend on the decisions made by authorities in response to a number of central and local policies. As noted in section 2 above, each local authority has a duty to assess the equalities impacts of their service provision choices.

6. Where impacts are or could be significant, when and how will they be reviewed?

Since the Department has not at this stage identified any specific impacts of these policies on those who share protected characteristics, there are no active plans in place to review their impact. However, the Government is publishing this equality statement in draft alongside the provisional local government finance settlement consultation, and actively welcomes the input of interested parties. Representations and supporting evidence received as part of the consultation will be considered before the final equality statement is published.

This analysis was undertaken by: Jeffrey Amisi

Name/Title	Policy Advisor
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Date	TBD

SCS Sign off

Stuart Hoggan (Deputy Director, Local Government Finance Settlement)

I have read the available evidence and I am satisfied with the above analysis

Please keep a record of this analysis for audit purposes and send a copy to errol.barnett@communities.gsi.gov.uk for his records