

1. Brief outline of policy proposal

This draft equality statement covers the Government's proposals for the provisional local government finance settlement for 2021-22. Explanation of the measures announced in the settlement can be found in the documents:

- Provisional Local Government Finance Settlement consultation document
- Draft Council Tax Referendum Principles Report

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-2021-to-2022>

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

- a) Increasing the core settlement in line with inflation, which means:
 - i) holding Baseline Funding Levels flat, with grant compensating for the freezing of the business rates multiplier;
 - ii) eliminating negative Revenue Support Grant (RSG) through foregone business rates receipts;
 - iii) uprating RSG by CPI, so that all councils are treated on an equal basis across the core settlement and under-indexation grant;
 - iv) holding Devolution Deal areas with increased rates of business rates retention at the same percentages as last year.
- b) The following package of council tax referendum limits:
 - i) a core council tax referendum principle of up to 2% for counties, unitary authorities, London boroughs and fire authorities;
 - ii) an additional 3% precept for authorities responsible for adult social care, with unused flexibility rolled over to 2022-23;
 - iii) a principle of up to 2% or £5, whichever is higher, for shire districts;
 - iv) £15 for police authorities;
 - v) no council tax referendum principles for parishes or Mayoral Combined Authorities (MCAs) in 2021-22.
- c) £300 million extra for Social Care Grant, funded by £150 million in new grant and £150 million of re-allocated funding, and distributed on the basis of £60 million through the existing Adult Social Care Relative Needs Formula, and £240 million for equalisation of the yields from the Adult Social Care council tax precept, which holds the level of equalisation at the same as last year.
- d) A new Lower Tier Services Grant, which 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).
- e) A new round of £622 million New Homes Bonus allocations with the same funding baseline as last year, with no new legacy payments on the new round.
- f) Maintaining iBCF funding at 2020-21 levels, with the same distribution.

g) Increasing Rural Services Delivery Grant (RSDG) by £4 million, taking the grant from £81 million to £85 million.

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

The Government has considered the impact of the funding distribution on protected characteristics by assessing the distribution of Core Spending Power (CSP) between local authorities and the characteristics of the people that live in the local authorities. This is achieved through assessing the nominal and real change in CSP per capita for each protected characteristic comparing the change in funding distribution from 2020/21 to the proposed funding distribution in 2021/22. The nominal change in CSP per capita is also baselined and compared against the change in CSP per capita for the whole of England over the same period, in order to see the change in the CSP for each characteristic, relative to the change in CSP per capita for the whole of England.

Across all protected characteristics there is a nominal and real terms increase in CSP per capita from comparing the 2020-21 funding distribution to the 2021-22 proposed funding distribution.

Within the package of policy measures, we foresee three proposals which could have an impact on people who shared protected characteristics. These are:

1) Change in the level of Settlement Funding Assessment between 2020-21 and 2021-22

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 have 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.

In 2021-22, we estimate local government will see a cash terms increase of 4.5% in Core Spending Power – a real-terms increase. Of this, the Government is ensuring that amidst the pandemic, vital-front line services are protected by increasing the largest elements of core settlement funding in line with inflation. This will especially help protect the funding for non-social care services in particular.

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 2021-22, the Government proposes to set a core principle of 2%, with additional flexibilities for adult social care authorities and shire district councils.

This package of referendum principles strikes the right balance between allowing local authorities to address pressure on services and protecting council-tax payers from excessive bill rises.

3) Distribution of Social Care Grant

For 2021-22, the Government is continuing to support the most vulnerable by increasing the Social Care Grant for 2021-22 by £300 million, on top of last year's total of £1.41 billion.

The Government is also implementing a council tax precept for adult social care of 3%, enabling councils to access a further £700 million.

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 a component to equalise the yield of the Adult Social Care council tax precept, holding the level of equalisation at the same level as in 2020-21, and with £60 million allocated directly through the existing ASC Relative Needs Formula.

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. It is likely to benefit persons with protected characteristics. The proposed methodology 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.

As in previous years, the Social Care 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 on 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.

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

At this stage, the Government is 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.

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

As part of the provisional local government finance settlement, the Government is proposing a number of funding streams that 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 2020-21 using the same distribution methodology, at £2.1 billion. 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 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. This grant will support local authorities that incur additional costs as a result of rurality. It will be unringfenced and is paid to the upper quartile of authorities based on the super-sparsity indicator, which is the best available proxy for rurality.
- The Government is proposing a new round of NHB payments (year 11 payments) in 2021-22. 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).
- The Government plans 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.
- 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). The proposed grant methodology is two-fold. £86 million of the grant will be allocated according to the 2013-14 Settlement Funding Assessment (SFA). This represents the best available relative needs assessment for the authorities concerned. Alongside this, the Government is proposing a minimum funding floor, at a cost of £25 million, so that no authority - either upper or lower tier - will see a reduction in CSP in 2021-22. The Government is clear that this funding is in response to the current exceptional circumstances and is a one-off.

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.

We have also provided over £7.2 billion of additional expenditure funding for local authorities in 2020-21, the majority of which is in unringfenced grant, available to respond to local COVID-19 pressures and priorities. In addition, we have ensured councils receive support with COVID-related loss of income, including from sales, fees and charges and local taxes. In addition to the additional funding, this year's provisional local government finance settlement is announced alongside a package of measures for 2021-22 which will help mitigate any potential adverse equalities impacts of service pressures or reduced income on local authorities, as a result of the coronavirus pandemic. These are:

- £1.55 billion of unringfenced grant to manage the immediate and long-term impacts of the pandemic,
- £670 million to enable councils to continue reducing council tax bills for those least able to pay, including households financially hard-hit by the pandemic,
- an extension of the Sales, Fees and Charges income support scheme to June, and
- a new guarantee scheme for 75% of 2020-21 irrecoverable local tax losses, at an estimated cost of just under £800 million,

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 light of the above, the Government has not identified any compelling evidence that the 2021/22 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.

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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