



Department for  
Communities and  
Local Government

# The 2017-18 local government finance settlement: equalities statement

February 2017

Department for communities and Local Government



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Department for Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

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# Equality Statement

## The 2017-18 Local Government Finance Settlement

### 1. Brief outline of policy proposal

This equality statement covers the Government's local government finance settlement for 2017-18. A full explanation of these proposals can be found in the attached documents: 'The 2017/18 local government finance settlement', and the 'Referendums Relating to Council Tax Increases (Principles) (England) Report 2017-18'.

As part of the 2016/17 local government finance settlement, the Government outlined a multi-year settlement offer, which covered local authorities' funding until the end of the Parliament. The Department undertook an equality analysis of these policies, many of which carried forward into the 2017/18 local government finance settlement, and which can be found at: <https://www.gov.uk/government/publications/final-local-government-finance-settlement-2016-to-2017-equality-statement>

In summary, the policy streams within the local government finance settlement for 2017-18 are:

- the allocation of settlement funding - this is the second year of the multi-year settlement offer for those 97% of local authorities which accepted it, and the separate arrangements for those that did not.
- the approach to distributing funding through the improved Better Care Fund, which uses a methodology to ensure every authority gets a share of the total funding available through both the Fund and the Social Care Precept, measured by the adult social care Relative Needs Formula
- the reforms to the New Homes Bonus, following consultation last year. Further details are published alongside this document: <https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>
- the allocation of additional savings from new homes bonus worth £240 million, which will be used to provide immediate support to authorities delivering adult social care services - to be allocated according to the adult social care Relative Needs Formula
- council tax referendum principles which include the following;
  - a core principle of up to 2%. This would continue to apply to shire counties, unitary authorities, London boroughs, the Greater London Authority, and Police and Crime Commissioners except those PCCs whose Band D precept is in the lower quartile of that category (see below)
  - an increase to the flexibility offered on the use of the Adult Social Care precept. The policy intention set out at the time of the 2016-17 Settlement was that this would be 2 % per year up to 2019-20. In recognition of the particular pressures on adult social care services, especially in the next two years, social care authorities will now be able to introduce the rise sooner. They will have the freedom to increase by up to 3% in 2017-18 or

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2018-19, but still cannot exceed 6% in total over the three-year period.

- shire district councils will be allowed increases of up to 2% or up to and including £5, whichever is higher
- Police and Crime Commissioners whose Band D precept is in the lowest quartile of that category will be allowed increases of less than 2% or up to and including £5, whichever is higher.

- Detailed technical information about the Revaluation Adjustment, the treatment of 100% business rates retention Pilot authorities and voluntary transfers of funding to combined authorities. All these proposals are designed to ensure local authority income in 2017/18 is not affected by wider changes to the Local Government Finance System.

In addition to those included in the local government finance settlement, there are a number of additional funding streams which local authorities can draw upon. These measures work together with the settlement to provide a balanced finance package to meet the diverse needs of local government.

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

There are two proposals within the package of policy measures which could have an impact on people who share a protected characteristic. These are:

##### **1. Change in the level of settlement funding between 2016-17 and 2017-18**

The changes in overall central funding through the local government finance settlement for 2017-18 were first outlined in the multi-year settlement offer, which was announced alongside the final 2016-17 local government finance settlement. This offer has been accepted by 97% of councils. It will require councils to make efficiency improvements through resource pooling or other savings programmes. Having been provided with significant notice of these changes, councils have had the opportunity to prepare for them. Those local authorities who have accepted the offer have published efficiency plans which set out their proposals for delivering these savings.

The 2016/17 local government finance settlement introduced a new methodology for allocating Revenue Support Grant which takes account of the main resources available to councils. This ensured that councils delivering the same set of services receive broadly the same percentage change in 'settlement core funding'. Settlement core funding includes council tax income (including any Council Tax Freeze Grant); estimated business rates income (i.e. baseline funding level under the rates retention scheme); and Revenue Support Grant. The role of the Secretary of State for Communities and Local Government is to set the overall framework for local government funding from central government. It is for authorities to make decisions on allocation of their resources. In exercising their functions, including when making policy and spending decisions, local authorities must also have due regard to the matters mentioned in section 149(1) of the Equality Act 2010 (c.15). Therefore, in deciding whether or not to fund, or continue to fund, a service that (for example) offers opportunities to persons

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who share the protected characteristic of disability, the authority has a duty to assess the associated equalities impacts, including having due regard to the need to advance equality of opportunity between those who are disabled and those who are not.

Councils provide a wide range of services, only some of which are required by statute. Central funding and retained business rates are unringfenced and councils are responsible for the distribution and allocation of this resource across local priorities. Any potential impacts would be dependent on decisions made at a local level on the allocation of funding to particular local services. Therefore specific impacts have not been identified at the local authority level.

#### **2. New Homes Bonus reforms and Adult Social Care**

Distributional changes of funding to local government will result from the implementation of the reforms to New Homes Bonus. These changes will not affect the overall level of funding available to local government.

The Government has published its response to the consultation on reforming the bonus, New Homes Bonus: Sharpening the Incentive, which is available at:

<https://www.gov.uk/government/consultations/new-homes-bonus-sharpening-the-incentive-technical-consultation>

Based on the responses to the consultation on New Homes Bonus we are introducing the preferred option for legacy payments in 2017/18 as a transition to 4 year payments from 2018/19 onwards. The allocation of New Homes Bonus is dependent on the housing delivery performance of local authorities each year.

This approach to legacy payments will release additional funding of £240 million in 2017/18. This funding will be allocated to those authorities responsible for adult social care. We propose giving each authority a share of the £240m of funding proportional to the Adult Social Care Relative Needs Formula.

The impact of this re-cycling of funding could be expected to provide additional funding for areas with higher social needs care which we might expect will include areas with higher relative needs from elderly or disabled residents.

#### **Consultation responses on the Provisional 2017-18 settlement**

Of the 197 respondents to the consultation, 77 commented on the potential impact of the Local Government Financial Settlement on people with protected characteristics, including 42 (55%) that considered elderly residents would be negatively affected and 16 (21%) that considered vulnerable people would be affected, particularly as a result of lack of funding being found to support adult social care.

The following points are a summary of the main points raised in these responses;

- The most common concern was that social care funding was inadequate and that this would disproportionately impact on elderly and vulnerable people. This

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included representation from three charities (Scope, Sense, and Alzheimer's society).

- A number of Shire Counties and London Councils argued that the allocation of additional funding through the Adult Social Care Support Grant and the iBCF did not go to those areas with higher numbers of over 65s.
- Another common observation was that the provisional settlement would negatively affect those with all protected characteristics, as a result of the cumulative nature of cuts and their impact on services.
- Shire Districts in particular, felt that the level of reductions in funding in the Provisional Settlement 16-17 as a result of the changes in New Homes Bonus reforms would have a negative impact on people with all protected characteristics.

#### **Survey Data**

DCLG also considered the LGA's most recent poll on resident satisfaction with councils commissioned and performed independent of DCLG.

**The LGA**, in their regular polling on resident satisfaction with councils<sup>1</sup> found that;

- Fifty- cent of respondents agreed, overall, that their local council provides value for money – a significant decrease from the previous poll in September 2015 (but similar to the poll in June 2015).
- Fifty-seven per cent of respondents said, overall, their local council acts on the concerns of local residents – a significantly lower proportion than the last poll (but similar to our poll in June 2015).
- There was a one per cent increase in the proportion of respondents who said they trusted their local council the most to make decisions about how services are provided in their local area (77 per cent for this poll; 76 per cent in September 2015) – but no significant change in those who said they trusted local councillors the most to make decisions about how services are provided in their local area (74 per cent in this poll; 75 per cent in September 2015).

This survey did not specifically explore impacts on persons who share a protected characteristic.

The Government has taken a number of actions to mitigate the potential effects of reduced central funding on consumers of adult social care. These are detailed under the Mitigations heading below. No specific equality impact have been identified from public concern about the quality of other services, for example libraries, leisure centres, street lighting or road maintenance, given that these decisions are taken by local authorities.

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<sup>1</sup> <http://www.local.gov.uk/documents/10180/6211662/Research+-+Resident+Satisfaction+Polling+-+February+2016+WEB.pdf/8d229cd1-f814-4240-9c40-9456c764864d>

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

We continue to review any relevant independently commissioned research and representations from Local Authorities and their representative bodies that consider the equalities impact of Local Government Funding impacts 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?**

The 2017-18 local government finance settlement is the 2<sup>nd</sup> year of a four year settlement. A number of policy measures were introduced in 2016-17 that help mitigate any potential adverse equalities impact of reduced funding for local government. These are:

- an approach to allocating central funding that provides protection for some councils providing adult social care and children's services. Central funding allocations ensure that councils delivering the same set of services receive the same percentage change in 'settlement core funding'. This helps direct resources to councils that need them the most, reducing the potential impact of the proposed local government finance settlement for 2017-18 on local service provision.
- forward allocations for Revenue Support Grant were published in 2016/17 for 2017/18 and every subsequent year out to 2019-20 as part of the multi-year settlement offer, which 97% of councils have accepted. This gives these local authorities greater certainty over the future financial position which may help them smooth the impact of the changes over time.
- a Transition Grant that provides substantial additional funding to ease the pace of central government funding reductions during the most difficult first two years of the settlement. This grant is worth £150 million in 2017-18.
- 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 the quality of local services by insuring authorities against the risk of unexpected, dramatic falls in business rates income.
- the Rural Services Delivery Grant recognises that there may be additional costs associated with local service delivery in rural areas. The Government will provide £60.5 million of funding, paid as an unringfenced section 31 grant to the upper quartile of authorities based on the super-sparsity indicator (the best available proxy for rurality), to support the delivery of rural services in 2017-18.

In addition, we have agreed to provide greater flexibility for councils to decide to raise local income specifically for adult social care. The adult social care precept currently

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allows councils with responsibility for adult social care to increase council tax by a further 2% in each year of the Parliament without holding a local referendum. Councils will now be able to raise more of this funding in the next two years should they wish: an increase to the precept must now not exceed 3% in either of 2017/18 or 2018/19, 2% in 2019-20 and overall cannot exceed 6% over the three year period. Bills will be no higher in 2019-20 as a result, and this could raise a further £208 million in 2017/18.

This additional flexibility recognises the particular pressures on adult social care services, especially in the next two years before the increased funding being provided through the improved Better Care Fund is fully on stream. This is subject to consideration of the use made of the Adult Social Care precept in the previous year; as in 2016-17, councils will be expected to confirm this additional money will be spent on adult social care and demonstrate how they plan to use this money to improve social care (as opposed to merely fund business as usual).

The Government has also confirmed funding for an improved Better Care Fund worth £105 million in 2017/18, £825 million in 2018/19, and £1.5 billion in 2019/20. The allocation of the iBCF recognises that authorities have varying capacity to raise council tax, and therefore uses a methodology which provides greater funding to those authorities which benefit less from the additional council tax flexibility for social care. Taken together, these measures provide significant resources to address the demographic pressures facing the adult social care system which provides support to elderly residents and adults with disabilities.

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. However, a number of the new policies designed to give local government more control over their own funding and reduce the reliance on central government funding, are specifically targeted at Adult Social Care. The additional funding could be used to meet the needs of persons who share one or more of the protected characteristics set out in section 149 of the Equality Act 2010, in particular the protected characteristics of age and disability.

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

There is not sufficient evidence to identify a 'substantial' equalities impact – the policy streams in the proposed local government finance settlement for 2017-18 are high-level, and primarily relate to the allocation of unhypothecated funding.

The proposals have been designed in the context of the 2015 Spending Review package which addressed the particular pressures experienced by councils as a result of increasing demand for social care services. The proposed local government finance settlement for 2017-18, with the mitigation outlined above, is intended to provide a sustainable path through to longer term reforms.

The extent of equalities impact will also depend on the decisions made by authorities in



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response to a number of central and local policies. As noted in section 4 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, there is not sufficient evidence to identify a 'substantial' equalities impact of the local government finance settlement for 2017-18, no further review is planned in advance of the consideration of the 18-19 settlement..

This analysis was undertaken by: Stephanie Kvam

<b>Name/Title</b>	Policy Advisor
<b>Directorate/Unit</b>	Local Government Finance
<b>Date</b>	30 January 2017
<b>SCS Sign off</b> Stuart Hoggan (Deputy Director, Local Government Finance Reform & Settlement)	
<b>I have read the available evidence and I am satisfied with the above analysis</b>	
<b>Please keep a record of this analysis for audit purposes and send a copy to <a href="mailto:errol.barnett@communities.gsi.gov.uk">errol.barnett@communities.gsi.gov.uk</a> for his records</b>	