



Department for
Communities and
Local Government

The provisional 2018-19 local government finance settlement

Draft Equality Statement



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The Provisional 2018-19 Local Government Finance Settlement

1. Brief outline of policy proposal

This equality statement covers the Government's provisional local government finance settlement for 2018-19. A full explanation of these proposals can be found in the attached documents:

- A. Provisional 2017-18 local government finance settlement consultation document
- B. Council Tax Referendum Principles Report

As part of the 2016-17 local government finance settlement, the Government outlined a multi-year settlement offer, which covered local authorities' funding until 19-20. The Department undertook an equality analysis of these policies, many of which were carried forward into the 2018-19 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 key policy provisions within the provisional local government finance settlement for 2018-19 are:

- The allocation of settlement funding - this is the third 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. Further detail on multi-year settlements can be found at section 2.2 of the accompanying consultation document.
- Postponement of planning reforms to New Homes Bonus and maintaining the baseline allocations at 0.4%. Further details are published alongside this document.
- 100% business rate retention - Pilot Scheme:
 - Creation of 10 additional pilots for 2018-19.
 - Creation of a London pilot.
 - Continuation of 5 existing pilots.
 - Confirmation of continued piloting in 2019-20.
- Increase of the 2018-19 Rural Services Delivery Grant (RSDG) by £15m to

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£65m.

- Increased flexibility around Council Tax Referendum Principles with:
 - an additional 1% precept added to core Council tax principle;
 - the setting of a £12 principle for Police and Crime Commissioners (PCCs) and the police element of the GLA;
 - flexibility for elected mayors to decide the required level of precept by agreement with their mayoral combined authorities (MCAs).

In addition to those inside the local government finance settlement, there are some 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 three proposals within the package of policy measures which could have an impact on people who share protected characteristics. These are:

1. Change in the level of settlement funding between 2017-18 and 2018-19

The changes in overall central funding through the local government finance settlement for 2018-19 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. By providing councils 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.

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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).

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. 100% business rates retention - Pilot Scheme

The creation of new business rates pilot areas (including a London based pilot) and the continuation of existing pilots are not expected to have any negative impact on equalities considerations. Pilot areas may chose to use additional retained rates for policies that benefit protected groups – although levels of retained rates are dependent on growth.

Participating authorities in the 100% business rates retention pilot scheme retain 100% of their business rates growth over the pilot period. Pilot authorities will see their baseline funding levels (BFL), business rates baselines (BRB) and tariffs and top-ups recalculated to reflect the additional share of retained business rates and the loss of Revenue Support Grant (which will be factored into baseline funding levels).

Baseline funding level is an authority's share of local business rates. Current BFLs were calculated based on local service need in 2013-14 (indexed to inflation), and the Government has put in place a "safety net" to ensure that no local authority shall fall below a threshold of their yearly BFL. This ensures that local services have a guaranteed minimum level of funding. There will continue to be a "safety net" under the 100% pilot scheme and, in addition, the Government has assured that authorities will suffer "no detriment" as a result of becoming a pilot. As a result we believe there is no reason to believe there will be any negative effect from pilots on protected groups.

The 100% business rates pilots are expected to have beneficial outcomes for participating authorities, potentially increasing the overall level of local funding available (dependent on growth). This additional funding could be used by local

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authorities to the benefit of protected groups. If councils do raise and spend additional resource as a result of the pilot, they will also have to undertake their own independent equalities analysis. In addition, the new pilot scheme has incentivised the pooling of business rates across local authorities. This shares financial risk across authorities – theoretically improving the long term sustainability of service delivery, which may be of particular benefit to protected groups.

3. Increased flexibility around Council Tax Referendum Principles

Under the Localism Act, local government can increase council tax as they wish – but excessive rises need to be approved by local residents in a referendum. This provides an important check and balance against the excessive increases.

However, in recognition of pressures faced by the sector, the Government will provide greater flexibility for councils by bringing the referendum threshold in line with Consumer Price Index inflation (at 3%). Currently, the core council tax referendum principle allows councils to increase council tax by up to 2% in each year of Parliament without holding a local referendum. Councils will now be able to choose to raise council tax by an additional 1%, in 2018-19, which amounts to a 3% increase overall. This is in addition to previously announced increases in the Adult Social Care precept.

This additional flexibility gives local authorities the ability address currently high inflation rates, but also recognises that many households face their own financial pressures. Similarly, the flexibilities given to Police and Crime Commissioners will help councils meet service demand whilst not being overly burdening on households. For new Mayoral Combined Authorities, which have no previous Band D level of council tax, the Government has concluded that mayors should have the flexibility to set their own precept in 2018-19.

The revenue from this council tax flexibility ensures that local authorities can mitigate the affects of inflation on local service delivery. Given the nature of key council services such as children’s and adult social care, this is likely to have a beneficial impact on groups with protected characteristics.

Other announcements

We do not believe other announcements to have any significant equalities impact:

- New Homes Bonus: no change in policy from previous years;
- Rural Services Delivery Grant: increasing RSDG by £15m to £65m in 2018-19 maintains funding as per previous year, and as such we don’t believe

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there would be any negative equalities impact. In addition, the additional funding may help mitigate against any service pressures or negative impacts on protected groups.

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

At this consultation 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?

The 2018-19 provisional local government finance settlement is the 3rd year of a four year settlement. A number of policy measures were introduced in 2016-17 that helped mitigate any potential adverse equalities impacts of reduced funding for local government. These are:

- an approach to allocating central funding that provides protection for some councils providing children's and adult social care. 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 2018-19 on local service provision.
- forward allocations for Revenue Support Grant. These were published in 2016-17 for 2017-18 and every subsequent year 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 plan effectively for the impact of the changes over time.
- 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. This grant recognises that there may be

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additional costs associated with local service delivery in rural areas. The Government will continue to provide the same level of funding as in 2017-18 (£65 million), 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 2018-19.

- the improved Better Care Fund as announced in 2016 and with additional funding as announced at Spring Budget 2017 (total of £4.5bn between 2017-20). 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. These measures provide resources to address the demographic pressures facing the adult social care system which provides support to elderly residents and working age adults with disabilities.
- 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 for a further three years.

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 section 149 of the Equality Act 2010.

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 received any specific evidence regarding impacts on those with protected characteristics.

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6. Where impacts are or could be significant, when and how will they be reviewed?	
<p>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.</p>	
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Date	19 th December 2017
<p>SCS Sign off Stuart Hoggan (Deputy Director, Local Government Finance Reform & Settlement)</p>	
<p>I have read the available evidence and I am satisfied with the above analysis</p>	
<p>Please keep a record of this analysis for audit purposes and send a copy to errol.barnett@communities.gsi.gov.uk for his records</p>	