



Ministry of Housing,
Communities &
Local Government

The 2018-19 local government finance settlement

Equality Statement



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1. Brief outline of policy proposal

This equality statement covers the Government's local government finance settlement for 2018-19. Explanation of the measures announced in the settlement can be found in the documents:

- A. The Local Government Finance Report
- B. Council Tax Referendum Principles Report

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

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2018-to-2019>

As part of the 2016-17 local government finance settlement, the Government outlined a multi-year settlement offer, which covered local authorities' funding until 2019-20. The Department undertook 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 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.
- Postponement of planning reforms to New Homes Bonus, maintaining the baseline allocations at 0.4%. Further details were published at provisional settlement.
- 100% business rates retention - Pilot Scheme:
 - Creation of 10 additional pilots for 2018-19
 - Creation of the London pilot
 - Continuation of 5 existing pilots
 - Confirmation of further piloting in 2019-20.

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- Increase of the 2018-19 Rural Services Delivery Grant (RSDG) by £31m to £81m, exceeding previous allocations.
- Increased flexibility around Council Tax Referendum Principles with:
 - an additional 1% precept added to the core council tax referendum 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).
 - continuation of no Council Tax referendum principles being set for Town and Parish Councils.

In addition to the funding streams within 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 financial 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 centrally distributed 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 provided funding certainty and was accepted by 97% of councils. It required councils to make efficiency improvements through resource pooling or other savings programmes. By providing councils with significant notice of these changes they have had the opportunity to prepare. 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

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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; 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 Housing, 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 the 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, targeting or impacting on persons who share a protected characteristic, 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. Therefore, it is not possible to predict how the changes will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made at a local 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 relative 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 (92.5%) of their yearly Baseline Funding Level. 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

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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 impact 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 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 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% in December 2017). 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 could amount to an increase of up to 3% overall. This is in addition to the increases in the use of the Adult Social Care precept announced at the 2017-18 provisional local government finance settlement.

This additional flexibility aids local authorities in addressing current high inflation rates, whilst recognising that many households face their own financial pressures. Similarly, the flexibilities given to Police and Crime Commissioners will help councils meet service demand without overly burdening 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 enables local authorities to mitigate the effects of inflation on local service delivery. Given the nature of key council

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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 the other measures announced to have any significant equalities impact:

- New Homes Bonus: no change in policy from previous year
- Rural Services Delivery Grant: increasing RSDG by £31m to £81m in 2018-19 increases funding from previous years, and as such we don't believe there would be any negative equalities impact. In addition, this additional funding may help to 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?

The Government held a consultation on the provisional local government finance settlement and sought views of the potential effects of these policies on those who share a protected characteristic.

Of the 157 respondents to the consultation, 38 (33 local authorities) commented on the potential impact on people with protected characteristics, including 11 that considered residents would be negatively affected on the basis of age (children and the elderly), 8 that considered people with disabilities would be affected, and 5 that considered deprived residents would be affected. These included representations from 3 charities which all focused on the settlement's effects on individuals with a disability.

Most concerns regarding equalities arose from a perceived lack of funding for social services, particularly children's and adult social care. Concerns were also raised on the accessibility of council tax referendums for individuals with disabilities. Evidence was presented that suggests individuals with physical disabilities and learning disabilities may have difficulty voting in a referendum.

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

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The 2018-19 provisional local government finance settlement is the third 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 were:

- 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 to 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 their future financial position which may help them plan effectively for the impact of the changes over time.
- the business rates safety net that ensures 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 additional costs associated with local service delivery in rural areas. The Government will increase the level of funding available in 2017-18 to £81 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 over the period 2017-18 to 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. 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.

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- 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 an additional three years - until 31 March 2022.
- On the issue of Council Tax referendum accessibility the government ran a call for evidence at the end of 2017, asking for views on how people with disabilities experience registering to vote and voting itself. In partnership with the members of the Cabinet Office Accessibility Working Group, which includes the Royal Mencap Society, Mind, RNIB, Scope, United Response, the NHS, the Association of Electoral Administrators, the Electoral Commission and Scottish Assessors Association, the government will review the evidence it receives and produce a report of key findings and recommendations.

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 consultation, we have not identified any compelling evidence that the 2018-19 settlement will have a "substantial" equalities impact.

However, the government recognises the wide ranging concerns expressed in the settlement consultation around social care. In recognition of this concern, the government has committed to an extra £150m in funding for Adult Social care in 2018-19.

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The government has also committed to an extra £31m in funding for rural authorities – recognising evidence that suggests there are some additional costs to service delivery in rural authorities, and that they face demographic pressures as a result of an ageing population.

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, there is not sufficient evidence to identify a ‘substantial’ equalities impact of the local government finance settlement for 2018-19, no further review is planned in advance of the consideration of the 2019-20 settlement.

This analysis was undertaken by: James Whitehouse

Name/Title	Policy Advisor
Directorate/Unit	Local Government Finance
Date	7 th February 2018
SCS Sign off Stuart Hoggan (Deputy Director, Local Government Finance Reform & 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 <u>errol.barnett@communities.gsi.gov.uk</u> for his records	