Equality Statement
The 2019-20 Final Local Government Finance Settlement

1. Brief outline of policy proposal

This equality statement covers the Government's local government finance settlement for 2019-20. Explanation of the measures announced in the settlement can be found in the documents:

- Local Government Finance Report
- 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-2019-to-2020

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 2019-20 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 2019-20 are:

- The allocation of settlement funding: this is the final year of the multi-year settlement offer.
- The allocation of an additional £650 million, announced at Autumn Budget 2018, made available for adult and children's social care, which provides:
    - £410 million in Social Care Support Grant for use on adult and children's services; where necessary, ensuring that adult social care pressures do not create additional demand on the NHS. Local authorities can also use it to improve their social care offer for older people, people with disabilities and children;
    - £240 million of funding for councils to spend on adult social care services to help councils alleviate winter pressures on the NHS. This is in addition to the £240m already announced for 2018-19.
- The allocation of £153 million in foregone business rates to directly eliminate negative RSG.
- The allocation of an additional £16 million in Rural Services Delivery Grant to maintain 2018-19 levels of funding for rural service delivery.
- The allocation of an additional £18 million for New Homes Bonus to maintain the existing baseline threshold for New Homes Bonus payments in 2019-20.
- The proposed distribution of £180m of the levy account surplus to all local authorities on the basis of 2013-14 Settlement Funding Assessment.
- Business rates retention (BRR) - pilot scheme:

  - Creation of 15 75% BRR pilots for 2019-20.
  - Creation of the 75% BRR London pilot
  - Continuation of 5 existing 100% Devolution Deal pilots.
- The following Council Tax Referendum Principles:
  - a core council tax referendum principle of 3% for shire counties, unitary authorities, London boroughs, the Greater London Authority (GLA) (excluding police), and fire authorities;
  - Shire district councils increases of less than 3% or up to and including £5, whichever is higher;
  - an additional flexibility of up to 2% on top of the core principle for Northamptonshire County Council, giving it a referendum principle of up to 5% in 2019-20;
  - Continue the adult social care (ASC) precept of an additional 2%, provided that increases do not exceed 6% between 2017-18 and 2019-20;
  - Additional flexibility for Police and Crime Commissioners the setting of a £24 principle for Police and Crime Commissioners (PCCs) and the police element of the GLA and Greater Manchester Combined Authority;
  - no council tax referendum principles for parish councils in 2019-20;
  - no notional council tax referendum principles for mayoral combined authorities (MCAs) in 2019-20.

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

The Government published a draft equality statement alongside the provisional local government finance settlement consultation and considered the representations and supporting evidence on the potential effects of these policies on those who share a protected characteristic received as part of the consultation. Of the 172 respondents to the consultation, 42 commented on the potential impact of the proposal on people with protected characteristics. This included 5 responses which specifically mentioned age (Children and Elderly), 6 responses on disability (dementia, children with disabilities) and 1 response on sexual orientation.

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 2018-19 and 2019-20

The majority of concerns in the provisional local government finance settlement regarding equalities arose from a perceived lack of funding for social services, particularly children's and adult social care. There was evidence presented of increased demand pressures on upper-tier social care services and that people with protected characteristics are the predominant users of these.

Representations noted that the reductions in Revenue Support Grant had led to a higher proportion of local authority funding being raised through council tax. Evidence was presented that areas with a higher prevalence of protected characteristics would raise relatively less council tax due to differences in council tax base, and it was suggested that this would lead to a disparity of service provision between these areas.

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The changes in overall centrally distributed funding through the local government finance settlement for 2019-20 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 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 business rates retention scheme); and Revenue Support Grant.

In addition to Revenue Support Grant allocations, the improved Better Care Fund (iBCF) funding takes account of the money local authorities can raise through the adult social care council tax precept. The majority of the £4.5 billion of additional funding for the iBCF is allocated in such a way that, when combined with the money which could be raised from the council tax flexibility, each council would receive its share allocated according to relative need.

Prior to these recent consideration of council tax in allocating funding, the initial 2013-14 funding allocation had a resource adjustment as part of the four-block model. 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. As such, reductions in the amount of Revenue Support Grant available to local authorities have the potential to reduce the availability of these services, and therefore to impact persons sharing protected characteristics.

However, 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, including the allocation of total resources made available through Government Spending Reviews. 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 Public Sector Equality Duty (“PSED”) under section 149(1) of the Equality Act 2010. Central funding (with the exception of certain grants, such as the Winter Pressures Grant) and retained business rates are un-ringfenced 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 groups of persons sharing a protected characteristic, as this will be dependent on the decisions made at a local level.

2. Business Rates Retention Pilots

In July 2018, a prospectus was published inviting local authorities in England to apply to become 75% business rates retention pilots in 2019/20. All applications received by MHCLG were assessed against the criteria published in the prospectus and on this basis 15 areas were selected to be launched as 75% pilots on 1 April 2019. As part of the Government’s separate negotiations with London authorities, the Greater London Authority, London boroughs and the City of London also agreed to continuing their ongoing business rates retention pilot at the reduced level of 75% in 2019/20.

The new 75% pilots will not impact negatively on persons with protected characteristics in non-piloting areas. Their relative needs will continue to be met in the current business rates retention system through top-ups and tariffs. As pilots are keeping the additional business rates growth that would otherwise have been included in the central government share of locally collected business rates. Any costs therefore fall on central government and not on other local authorities.

It was always intended that the 100% business rates retention pilots that commenced in 2018/19 would only be for one year, which allowed these pilot areas the opportunity for forward financial planning. It is not anticipated there will be a negative impact on persons with protected characteristics for areas which were previously pilots for the duration of the 2018-19 financial year.

The benefit to the areas involved will depend on the economic growth they achieve and cannot be precisely quantified in advance. 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 growth and the loss of Revenue Support Grant and Rural Services Delivery Grant. In addition to these, the London pilot pool will also have the Greater London Authority Transport Grant factored into their baseline funding levels.

75% pilot areas may choose to use additional retained growth through business rates to either boost further growth, promote financial sustainability or a combination of these. This additional funding could therefore be used by piloting 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 equalities analysis.

The 75% pilot scheme requires the pooling of business rates across local authorities in which pool members will not make levy payments to central government. Pooling of business rates will also encourage participating authorities to share any financial risk across local authorities in the pool, thereby theoretically improving the long term sustainability of service delivery, which may be of particular benefit to protected groups. The risk to pilot areas from increased rates retention will be balanced by increasing the safety net level of each pilot pool to the level of 95% of their Baseline Funding Level.

3. Increased precept flexibility for Police and Crime Commissioners

Under the Local Government Finance Act 1992 Police and Crime Commissioners in England calculate a council tax requirement for each financial year. As is the case for all major precepting authorities, if a Commissioner proposes a council tax rise which exceeds the referendum threshold determined by the Secretary of State for any given year, the rise must be approved by local residents in a referendum.

However, in recognition of a substantial increase in pressures and the police having met efficiency and productivity milestones set for 2018-19, the Government will provide greater precept flexibility for Police and Crime Commissioners (including the GLA and Greater Manchester Combined Authority) in 2019-20. For 2018-19, Police and Crime Commissioners had a cash-limit of £12 for increases to their precept without holding a local referendum. Police and Crime Commissioners will now be able to choose to raise council tax by £24 in 2019-20, without holding a referendum.

The revenue from this council tax flexibility enables Police and Crime Commissioners to manage increased demand and financial pressures. One of the main drivers of increased demand on police is the welcome increase in reporting of previously hidden crimes against vulnerable people, such as child sexual exploitation, domestic abuse and modern slavery. Given the nature of police services (including investigating crimes against the vulnerable, and safeguarding the victims), this is likely to have a beneficial impact on groups with protected characteristics.

3. Do you need any more information to assess Q2 above? If so, how will you obtain it?
No further review is planned for the 2019-20 settlement on 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 2019-20 local government finance settlement confirms the fourth year of a multi-year settlement, which was accepted by 97% of local authorities. However, the Government recognises the wide ranging concerns expressed in the settlement consultation, specifically on social care. In recognition of these concerns, the Government has committed to a number of additional funding streams made available to local authorities to deal with service pressures in 2019-20. This additional funding made available to the sector will help mitigate potential adverse impacts due to reductions in the amount of Revenue Support Grant and could be used by local authorities for the benefit of protected groups. These sources of funding are set out below: • The Government has committed to an extra £650m in funding for social care in 2019-20. This includes winter pressures funding (£240m in 2018-19 and 2019-20) to support local authorities to address pressures on adult social care capacity over the winter months to alleviate pressure on the NHS, and a further £410m for adult and children's services. This grant will be allocated through the adult social care relative needs formula. • The Government will increase the level of Rural Services Delivery Grant proposed in the 2018-19 settlement for 2019-20 to £81m, the same level of funding as provided in 2018-19. This grant supports local authorities with additional costs associated with rurality, and is paid as an un-ringfenced section 31 grant to the upper quartile (top 25%) of authorities based on the super-sparsity indicator (the best available proxy for rurality). • The proposal to distribute £180m of the levy account surplus in 2018-19 to local authorities on the basis of relative need as determined by the Settlement Funding Assessment methodology. This basis of distribution will proportionately distribute funding to upper tier authorities who provide more services for vulnerable groups, including groups with protected characteristics e.g. older people, children and people with disabilities. • The Government has confirmed that the New Homes Bonus baseline, below which the Bonus is not paid, will be maintained at its 2018-19 level of 0.4%. Additional funding of £18m to maintain the threshold will reward authorities for their contribution to housing delivery. • The Government has resolved to eliminate negative Revenue Support Grant (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 Revenue Support Grant and so tariffs and top-ups were to be adjusted so that

an increased amount of business rates was redistributed away from the authority and towards other authorities. This has colloquially become known as 'negative RSG.

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 following the 2015 Spending Review. These are:

- an approach to allocating central funding that recognises the role council tax plays in spending power. 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 2019-20 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 has given these local authorities greater certainty over their 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 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 provisional local government finance settlement, we have not identified any compelling evidence that the 2019-20 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?

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Since the department has not at this stage identified any specific impacts of these policies on those who share protected characteristics, there are no current plans in place to review their impact.	
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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**	
Please keep a record of this analysis for audit purposes and send a copy to errol.barnett@communities.gsi.gov.uk for his records	