



Department for
Communities and
Local Government

Local Government Finance (England) report 2014-15 and Referendums Relating to Council Tax Increases (Principles) (England) report 2014-15: Equality statement

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Equality statement

1. Name of Directorate
Local Government Finance
2. Please list all the policy streams in your business area.
<p><i>The Local Government Finance Report (England) 2014/2015</i> The Local Government Finance Report (England) 2014/2015 is concerned with, amongst other things, the exercise of the Secretary of State's functions under section 78 of, and Schedule 7B to, the Local Government Finance Act 1988 ("the 1988 Act"). The matters set out in the Report include –</p> <ol style="list-style-type: none">1. the Secretary of State's determination (under section 78(2) and (3) of the 1988 Act) of<ol style="list-style-type: none">(a) the amount of Revenue Support Grant for the financial year 2014-15;(b) whether the Secretary of State proposes to pay grant to receiving authorities and the specified body, and(c) if so, the amount of such grant he proposes to pay to receiving authorities and the specified body;2. the basis on which the Secretary of State proposes to distribute among receiving authorities the amount of Revenue Support Grant for the financial year 2014-15 (section 78A(2) of the 1988 Act);3. the basis on which the Secretary of State proposes to calculate the Baseline Funding Level for receiving authorities;4. the Secretary of State's determination (under paragraph 4 of Schedule 7B to the 1988 Act) of the percentages that are to be the central and local shares of a billing authority's non-domestic rating income for the financial year 2014-15;5. the basis (under paragraph 12 of Schedule 7B to the 1988 Act) on which the Secretary of State intends to calculate –<ol style="list-style-type: none">(a) which relevant authorities are to make payments ("tariffs") under Part 5 of Schedule 7B to the 1988 Act;(b) which relevant authorities are to receive payments ("top-ups") under that Part of that Schedule; and(c) the amount of each payment under (a) or (b). <p><i>The Referendums Relating to Council Tax Increases (Principles) (England) Report 2014/2015</i> The Referendums Relating to Council Tax Increases (Principles) (England) Report 2014/2015 contains the set of principles determined by the Secretary of State under section 52ZC of the 1992 Act. The question of whether an authority's relevant basic amount of council tax (defined in section 52ZX of that Act) for the financial year 2014-15 is excessive must be decided in accordance with those principles.</p>

Public sector equality duty

The duty on the Secretary of State pursuant to section 149 of the Equality Act 2010 when exercising the functions referred to above and other functions relating to the settlement is to have due regard to the need to—

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Paragraph (b) involves the Secretary of State having due regard, in particular, to the need to—

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it (including, where the needs of disabled persons are concerned, steps to take account of disabled persons' disabilities);
- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

Paragraph (c) involves the Secretary of State having due regard, in particular, to the need to—

- (a) tackle prejudice, and
- (b) promote understanding.

The protected characteristics are age; disability, gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex; sexual orientation.

The Distribution of Revenue Support Grant in 2014-15

This equality statement covers the Government's proposals for the distribution of Revenue Support Grant in 2014-15.

In summary these proposals are:

- a) to set the hold back for the New Homes Bonus at £700m.
- b) to set the hold back for safety net funding at £70m.
- c) to return the money that was previously held back for capitalisation funding.¹
- d) to roll 2013-14 council tax freeze funding and the Efficiency Support for Services

¹ See Part M of Chapter 5 of the Local Government Finance Report (England) 2014-15.

in Sparse Areas grant in to Revenue Support Grant.²

e) to scale back the allocations using different scaling factors for the different elements of Revenue Support Grant.³

This equality statement also covers the Government's proposals for the council tax referendum principles for 2014-15. In summary these proposals are:

- a) to set the principle at 2% for all authorities other than for the Greater London Authority
- b) for the Greater London Authority, to set the principle at 0% for that part of the Authority's area which includes the City of London; and at 2% for all parts of the Authority's area other than the City of London.

3. Identify any policy streams aimed at or impacting upon a protected group.

The Local Government Finance Report (England) 2014/15 determines levels of funding to individual councils for the 2014-15 financial year and reduces local government expenditure in a controlled way. The Revenue Support Grant is not specifically aimed at protected groups; it is one element making up about a quarter of the total spending power of authorities in England.⁴, though it will form a higher percentage of spending power for some authorities. However, the level of funding could, without mitigating action and depending on the spending decisions made by the authorities, have an adverse impact on protected groups.

Authorities receiving funding are "receiving authorities" as defined in section 76(2) of the 1988 Act (ie billing authorities and major precepting authorities⁵).

The 2014-15 local government finance settlement will, in absolute terms, be a reduction in the amount of money authorities receive as Revenue Support Grant compared to each of the preceding years in line with decisions taken in the 2010 Spending Review and subsequent autumn statements and budgets. Any reduction in an authority's income could have an effect on the ability of the authority to incur expenditure on, in particular, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it (by way of example only, services offered to the very young, the elderly and/or disabled persons). See further the passage on impacts in section 7 of this document.

4. Who has responsibility for developing these policies?

Simon Ridley, Director, Local Government Finance, DCLG.

5. Are there any EU or other statutory regulations that need to be adhered to regarding equalities?

In exercising his functions in connection with the local government finance settlements the Secretary of State is subject to the public sector equality duty in section 149 of the Equality Act 2010.

² See Parts K and L of Chapter 5 of the Local Government Finance Report (England) 2014-15.

³ See all parts of Chapter 5 of the Local Government Finance Report (England) 2014-15.

⁴ Revenue spending power is spending power from council tax, retained business rates, government revenue grants and National Health Service funding for social care.

⁵ Police authorities are not funded through the Business Rates Retention Scheme; instead their funding comes via the Home Office's Police Grant Report.

6. The following summary will be analysed and used as evidence which you considered in demonstrating due regard to the Public Sector Equality Duty. Have you used information from any of the following sources when developing policies?

Sources of evidence include but are not limited to:

- Responses to the Local Government Finance Settlement 2014-15 and 2015-16: Technical Consultation;
- Responses to the Local Government Finance Settlement 2014-15 and 2015-16: Technical Consultation Draft Equality Statement;
- Responses to the provisional Local Government Finance Settlement 2014-15 and the illustrative figures for 2015-16;
- Responses to the Local Government Finance Settlement 2014-15: Draft Equality Statement;
- Meetings, teleconferences and correspondence giving the views of local authorities, representative bodies, Members of Parliament and other external partners.

7. Have you discovered any of the following and as a consequence taken actions on identified equality issues?

- *Known difference in needs for those with a protected characteristic, and*
- *Evidence of an adverse equality impact on those with a protected characteristic.*
- *List any actions taken to mitigate against adverse equality impact on those with a protected characteristic*

Impacts of the local government finance settlement for 2014-15

This settlement implements decisions taken in the 2010 Spending Review and 2013 Budget regarding reductions in central government funding to local government in 2014-15.

If the reduction in Revenue Support Grant cannot be met through authorities making efficiencies, pooling resources or other means, services may have to be de-commissioned, re-modelled or scaled back. Given that local authorities provide a wide range of services targeting or impacting upon protected groups there could be an impact upon these groups. A reduction in funding is likely to have most impact on in relation to the most grant dependent authorities (as reductions will make up a larger share of their budget), and authorities which are less grant dependent but have high numbers of people in need in protected groups. There is some correlation between grant dependent authorities and the prevalence of groups with protected characteristics, such as disadvantaged ethnic groups.

However the impact upon protected groups will also depend upon:

- changes in local authorities' other sources of income. Revenue Support Grant is just one of many income streams, and increases in other sources of income may mitigate reductions in Revenue Support Grant. For instance, billing authorities and major precepting authorities retain specific proportions of the business rates collected in their area, providing opportunities for councils that promote business growth to increase their revenues.
- how local authorities choose to manage reductions in funding. It is

unhypothecated and councils are responsible for decisions on how it is used. They are subject to statutory equalities duties.

Impact of the Referendums Relating to Council Tax Increases (Principles) (England) Report 2014/2015

Whether an authority is required to hold a referendum, or whether it is not so required, is unlikely to have a negative impact on a particular protected group. Any impact on such a group will arise from the decisions taken by that authority about the level of expenditure on (and therefore services offered to) that group.

Mitigations

A number of elements in the local government settlement, including the specific measures being consulted on, would mitigate the potential impact of the local government settlement on those with protected characteristics. These include:

Protections for the most grant dependent authorities are embedded in the baseline – The start-up funding assessment that formed the baseline for the funding reductions in 2014-15 contained significant protections for the more grant dependent authorities. The formula funding elements of their allocations were relatively protected, receiving higher floors for floor damping, resulting in higher allocations than would otherwise have been the case. The relative resource amount was restored to 2010-11 levels, to help authorities with low council tax bases, resulting in higher allocations than would otherwise have been the case. Since Revenue Support Grant in 2014-15 is determined by a proportionate scaling back of the baseline elements for upper-tier funding, lower-tier funding and fire and rescue funding these protections for the more grant dependent authorities will be retained to some extent into future settlements, and will limit the reductions in funding to authorities providing relevant services to protected groups.

A lower limit to reductions in spending power – The settlement includes an Efficiency Support Grant that ensures no authority has a reduction in spending power of more than 6.9 per cent.

Increased funding to support services to scattered populations – The settlement contains an additional £9.5m grant which will be distributed among authorities with more scattered populations, including protected groups.

Support for funding relating to protected groups – The settlement ensures that in 2014-15 elements of Revenue Support Grant that relate to protected groups have their funding protected relative to the upper and lower tier funding elements. For example, the Learning Disability and Health Reform funding element is relatively protected, receiving a lower percentage reduction than either the upper-tier or lower-tier funding elements. This will limit the reductions in funding to authorities providing relevant services to protected groups (mainly upper tier authorities).

Funding protections within business rates retention – The scheme provides substantial overall protections, including an annual increase in the tariffs and top-ups through which Government rebalanced resources at the outset of the scheme, and a safety net guaranteeing that no council will see its business rates income drop more than 7.5% below its baseline funding level. The tariffs, top-ups and

baseline funding level are updated each year by the small business rate multiplier. This will protect the spending power of local authorities from significant unexpected shocks to their business rates income, and so help ensure that protected groups are not adversely affected. Additional adjustments to the business rates baseline were provided at the start of the scheme to protect authorities from the risk of a high volume of appeals.

The business rates retention scheme is not a zero-sum game, i.e. if one authority realises rapid growth and makes large gains from the scheme, this does not mean that another authority loses out. The scheme is expected to generate additional growth: economic analysis⁶ suggests that additional GDP over the first seven years of the scheme could be in the order of £10 billion.

Relationship between exercise of Secretary of State's functions and impact on individuals

It is important to note that whilst the role of the Secretary of State for Communities and Local Government is to set the overall framework for local government funding, that funding is not the only source of income for authorities.

Further, it is for authorities to make decisions on allocation of their resources. In exercising their functions, including when making policy and spending decisions, authorities are required to comply with the equality duties. So in deciding whether or not to fund, or continue to fund, a service that (for example) offers opportunities to persons who share the protected characteristic of disability, the authority will need to have due regard, e.g. to the need to advance equality of opportunity between those who are disabled and those who are not.

It is therefore not possible to assess how the provisional settlement for 2014-15 will impact specific protected groups as this will be dependent on the decisions made at a local level on the allocation of funding to particular local services.

Impacts after mitigation

The 2014-15 settlement distributes resource between local authorities. It is for local authorities to determine their own spending decisions. The reduction in funding may lead to an adverse effect on eliminating discrimination, advancing equality of opportunity and fostering good relations in some authority areas: if the reduction in funding cannot be met through authorities making efficiencies, pooling resources or other means, services may have to be stopped, re-modelled or scaled back. It is not possible to assess how the settlement for 2014-15 will impact specific protected groups as this will be dependent on the decisions made at a local level on the allocation of funding to particular local services.

8. When your policies are finally implemented which groups are most likely to benefit?

It has not been possible to identify specific groups that benefit from the settlement. The overall benefit is the contribution to deficit reduction implying lower interest rates now and a reduced burden on future tax payers and to support services.

9. In considering the above information have any gaps in data or equalities information been identified?

⁶ <https://www.gov.uk/government/publications/business-rates-retention-scheme-economic-benefits>

Given the high level of the decisions being taken and that the local government settlement only distributes resource between local authorities it is difficult to identify the precise impacts on protected groups ahead of local authorities making decisions on resource allocation.

10. Overall, can you make an assessment of the potential of this policy to have a substantial equalities impact on discrimination, fostering good relations or advancing equality of opportunity? Please try to limit your answer here to less than an A4 page.

The reductions in funding could, without mitigating action and depending on the spending decisions made by authorities, have an adverse impact on protected groups. It is not possible at this stage to make an assessment of whether any such impacts will be “substantial” – the policy decisions are high-level ones about distribution between authorities and the equalities impacts will depend on the decisions made by authorities.

This analysis was undertaken by (name of Equality Champion and any other colleagues involved).

Name/Title	Mark Chandler		
Directorate/Unit	LGF	Lead contact	Teresa Clay
Date	January 2013	Date	January 2013

SCS Sign off

Stuart Hoggan

I have read the available evidence and I am satisfied that this demonstrates compliance, where relevant, with Section 149 of the Equality Act and that due regard has been made to the need to: eliminate unlawful discrimination; advance equality of opportunity; and foster good relations.