



Department for
Communities and
Local Government

Local government finance settlement 2015 to 2016

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>This equality statement covers the Government's decisions for the 2015-16 financial year on:</p> <ul style="list-style-type: none">- the amount and distribution of Revenue Support Grant to receiving authorities in England- the amount of the Baseline Funding Level (locally retained business rates income) for receiving authorities, the percentage of the central and local shares for billing authorities, and the tariffs and top-ups payable- the amount and distribution of other linked grants <p>These proposals are made as part of the exercise of the Secretary of State's functions under section 78 of, and Schedule 7B to, the Local Government Finance Act 1988, and are set out in the consultation document on the provisional 2015-16 settlement, and in the draft 2015-16 Local Government Finance Report.</p> <p>In summary, the decisions are:</p> <ul style="list-style-type: none">- a £950m holdback from Revenue Support Grant to fund the New Homes Bonus- a £50m holdback from Revenue Support Grant to fund the business rates safety net (from upper and lower tier and fire and rescue elements only, with a lower contribution from fire)- protection for grants rolled into the start up funding assessment in April 2013 from the impact of the reduction in LG DEL for 2015-16 agreed in the 2013 spending review by extending the trajectories set in the 2010 spending review- distribution to upper and lower tier authorities and fire and rescue authorities, by scaling back the 2014-15 control total for each authority in proportion to the reduction in the national control totals- three 2014-15 grants (council tax freeze grant, Efficiency Support Grant, and Rural Services Delivery Grant) to be included in the 2015-16 settlement- an increase in funding for the most rural authorities (the top 25% by sparsity which measures scattered populations)- a reduction in funding for two specific groups of authorities (for authorities which have fallen below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, and for fire and rescue authorities to reflect reduced pension contributions)

- the baseline funding level and tariff and top-up payments to be updated in line with the small business multiplier for 2015-16
- the central and local shares of business rates revenue to be 50% each
- protection against reduction in revenue spending power of more than 6.4% in 2015-16 through Efficiency Support Grant
- compensation for the 2% cap on the small business rates multiplier announced at the 2013 and 2014 Autumn Statements

3. Identify any policy streams aimed at or impacting upon persons who share a protected characteristic.

The consultation and draft Local Government Finance Report set out the Government's proposals for funding allocations to individual councils for the 2015-16 financial year. The Government also proposes to set a council tax referendum principle as set out below.

The funding is not specifically aimed at persons who share a protected characteristic - it is one element making up authorities' total revenues. However, the changes to funding could, without mitigating action and depending on the spending decisions made by local authorities, have an adverse impact on persons who share a protected characteristic, as defined in relation to the public sector equality duty in section 149 of the Equality Act 2010. This is set out in full below.

Authorities receiving funding are "receiving authorities" as defined in section 76(2) of the 1988 Act (i.e. billing authorities and major precepting authorities¹).

The 2015-16 local government finance settlement, as proposed in this consultation and the draft Local Government Finance Report, would reduce the amount upper and lower tier authorities receive as Revenue Support Grant in 2015-16 compared to 2014-15. It would also increase the baseline funding level and tariff or topup for each authority in line with the small business multiplier. Any resulting reduction in an authority's income could have an effect on the ability of the authority to incur expenditure on, among other priorities, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it or removing or minimising disadvantages suffered by persons who share a relevant protected characteristic (by way of example only - services offered to the very young, the elderly and/or disabled persons).

This equality statement also covers the Government's proposals for the 2015-16 financial year for the council tax referendum principles.

These proposals are made as part of the exercise of the Secretary of State's functions

¹ Police authorities are funded by a grant from the Home Office, not from Revenue Support Grant or business rates.

under section 52ZC of the Local Government Finance Act 1992, and are set out in the draft Referendums Relating to Council Tax Increases (Principles) (England) Report for 2015/16.

In summary, the decisions are:

- If councils choose not to accept council tax freeze grant (which is equivalent to a 1% increase in their Band D council tax levels) and instead choose to increase council tax, any increase of 2% or more to require a referendum, so that local electorates can approve or veto the increase.
- The 2% threshold to apply to all local authorities, fire authorities and Police and Crime Commissioners.

See further the passage on impacts in section 7 of this document.

4. Who has responsibility for developing these policies?

Matthew Style, 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 settlement the Secretary of State is subject to the public sector equality duty in section 149 of the Equality Act 2010.

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;

(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 for the purposes of limb (a) of the duty are age; disability, gender reassignment; marriage and civil partnership, pregnancy and maternity; race; religion or belief; sex; sexual orientation.

The relevant protected characteristics for the purposes of limbs (b) and (c) of the duty are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation.

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 technical consultation on proposals for the Local Government Finance Settlement for 2014-15 and 2015-16 (July 2013 to October 2013)
- Responses to the consultation on the provisional Local Government Finance Settlement for 2014-15 which included illustrative figures for the 2015-15 settlement (December 2013 to January 2014)
- Responses to the technical consultation on proposals for the Local Government Finance Settlement for 2015-16 (July 2014 to September 2014)
- Responses to the consultation on the provisional Local Government Finance Settlement for 2015-16 (December 2014 to January 2015)
- Survey evidence including the surveys by BBC News, LGA and PWC in 2013 and 2014
- Statistical analysis of the number of persons with protected characteristics by authority areas
- Meetings with and correspondence from 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?

Impacts of the proposed local government finance settlement for 2015-16

Responses from local authorities to the consultations referred to in section 6 have stated that:

- the scale and distribution of the funding reductions set out for 2015-16 would put at

risk their ability to deliver services to persons who share a protected characteristic and would have an adverse impact on services to persons who share a protected characteristic, especially age and disability.

- persons who share a protected characteristic would be adversely affected by reductions in services generally, without identifying services targeted on any persons who share a protected characteristic which would be affected.
- the impact of the scale and distribution of reductions depends on the size or nature of persons who share a protected characteristic in an authority not its degree of grant dependency or deprivation
- the proposed mitigations (set out below) are limited and quickly lose effectiveness due to the continuing reductions in Revenue Support Grant.
- Government should do a full analysis and assessment of the impact of the proposed funding reductions

The impact of the proposals will depend on the choices made by authorities (and in making those choices authorities are of course required to comply with the public sector equality duty). In at least some authorities a reduction in a particular service will have a greater impact on persons who share a protected characteristic, than on other such groups. This will be particularly true in authorities where a higher proportion of the population is made up of people with one or more protected characteristic. Effects stemming from this could have a particular impact in relation to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.

If reductions in funding through the settlement cannot be met through authorities making efficiencies, pooling resources or other means, then services may have to be stopped, scaled back or re-shaped. Given that local authorities provide a wide range of services targeting or impacting upon persons who share a protected characteristic there could be an impact upon such persons as a result.

It is therefore not possible to predict how the proposed changes for 2015-16 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made at a local level on the allocation of funding to particular local services.

There is some evidence relevant to the impact of significant reductions in funding through the settlement in previous years from surveys, set out below, although respondents to survey questions on services for persons who share a protected characteristic may or may not be such persons or have direct experience of the services. Potential impacts on services of reductions in funding through the settlement in 2015-16 may differ from any impact in previous years.

Polling on residents’ satisfaction with councils, October 2014 - LGA

- Over half (51 per cent) are very or fairly satisfied with services for children and young people. This level has remained fairly consistent since September 2012 (ranging from 53 per cent to 48 per cent across the period)
- For services and support for older people, satisfaction levels since Sept 2012 have been recorded as follows:

	Sept 12	Jan 13	April 13	July 13	Oct 13	Jan 14	April 14	July 14	Oct 14
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Very or fairly Satisfied	49%	48%	49%	52%	45%	49%	50%	44%	49%
Fairly or very dissatisfied	13%	13%	13%	13%	16%	17%	14%	17%	15%

BBC news: Bailout Anniversary Poll, September 2013

- Care for the elderly: 22 per cent of service users said that services had got better in the last five years, 34 per cent said they had stayed the same, 32 per cent said they had got worse. Of the services included in the survey, this was the highest proportion indicating that services had got worse (equal to hospitals) and the lowest proportion indicating that services had stayed the same or were better.

The Local State We're In, PWC's annual local government survey 2014

- Around 11 per cent of people were aware of reductions in adult social services (which is around 3 percentage points higher than 2013, but in line with levels for 2011 and 2012).
- Around 6 per cent aware of reductions to children's social services (around 1 percentage point higher than 2013, but one percentage point lower than 2011 and 2012).
- Report says: 'While residents are most likely to have noticed reductions to universal environmental services, the two service areas that have seen the largest increase in reporting of reductions or closure in the last year are adult social services and special needs education. This suggests a growing concern around service reductions for the more vulnerable members of the community.' (Pg. 7)

We have not been able to identify reliable evidence of the impact of reductions in funding through the settlement on persons with protected characteristics, given the wide range of other funding streams and local circumstances, and the absence of specific examples of an impact on persons with protected characteristics in responses to consultations in 2013 and 2014 and in other evidence. However statistical analysis of the proportion of people with some protected characteristics (age, disability, and race²) by authority area shows a moderate correlation with decreases in the Settlement Funding Assessment from 2014-15 to 2015-16 for areas with higher proportions of people with activities limited a lot by disability and a weak correlation for areas with higher proportions of people aged 0-4 and non-white people.³

However while there is some correlation with decreases in the Settlement Funding Assessment and the prevalence of persons who share a protected characteristic, the impact upon persons who share a protected characteristic will also depend upon:

² The impact on persons with any protected characteristic has been considered, but the statistical analysis has been carried out only for these protected characteristics, as they have been raised in representations and high quality recent data is available from the 2011 census.

³ There is also a moderate correlation between the proportion of people over 85 and *increases* in Settlement Funding Assessment.

- 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 such as retained business rates and New Homes Bonus may mitigate reductions in Revenue Support Grant.
- changes in other central government funding. For instance Government is providing £3.8bn for the Better Care Fund in 2015-16, some of which will help authorities manage pressures. Authorities may also benefit from additional funding for transformation and growth funding such as the £1.4 billion Regional Growth Fund and the Rural Development Programme.
- how local authorities choose to manage reductions in funding. Revenue Support Grant and retained business rates are unencumbered and councils are responsible for decisions on how they are used. These decisions are subject to the public sector equality duty.

Mitigations

The cumulative effect of the decisions on the settlement and the protections within the business rates retention scheme provide some mitigations of the potential impacts on persons who share a protected characteristic, as set out below. Wider competence, reduced burdens from reporting and inspection and reduced ringfencing also support authorities in delivering services.

Support for funding relating to persons who share a protected characteristic – the grants rolled into the start up funding assessment in April 2013 which relate to persons who share a protected characteristic were relatively protected from the impact of the reduction in LG DEL for 2015-16 announced at the 2013 Spending Review. For example, the Learning Disability and Health Reform Funding (relating to disabled people) and the Early Intervention funding (relating to children) elements are relatively protected, receiving a lower percentage reduction than either the upper-tier or lower-tier elements.

In addition most of the extra funding announced at the 2013 Spending Round for 2015-16 (including in particular £3.8bn for the Better Care Fund, as well as funding to support the cost of transformation in other services, and to extend the Troubled Families programme) is directed toward services either solely for persons who share a protected characteristic or that benefit them relatively more than others. The persons who share a protected characteristic which may benefit include older people, disabled people, children and young people.

Funding protections for all authorities – The Government is providing substantial overall protections for all authorities against changes in income. These are likely to be more significant for the more grant dependent authorities, and there is some correlation between these authorities and the prevalence of persons who share a protected characteristic.

- a safety net guaranteeing that no authority will see its business rates income drop more than 7.5% below its baseline funding level. This protects the spending power of authorities (mainly tariff authorities which are less grant dependent) from significant unexpected shocks to their business rates income.

- Efficiency Support Grant which ensures that no council in 2015-16 will see a fall of more than 6.4% in its overall spending power, which incorporates some ringfenced funding which is largely targeted at people with one or more protected characteristic (in particular the Better Care Fund) .

The additional funding for the most rural authorities should also help to mitigate the impact of reductions in funding on those authorities.

Protections for the most grant dependent authorities embedded in the 2013-14 baseline – The 2013-14 start-up funding assessment that formed the baseline for the funding reductions in 2014-15 and 2015-16 contained significant protections for the more grant dependent authorities, which correlate to some extent with the prevalence of persons who share a protected characteristic. These include:

- Relative protection for the formula funding element of their settlement funding assessments, through higher floors for floor damping, resulting in higher assessments than would otherwise have been the case, as only funding above the relevant floor is affected by floor damping
- Some rebalancing of business rates resources through tariffs and top-ups
- Help for authorities with low council tax bases through restoration of the relative resource amount to 2010-11 levels,

The protection from tariffs and topups is preserved through annual uprating, and while the impact of the other protections lessens as the 2013-14 baselines recedes, the spending power of the more grant dependent local authorities is still significantly higher than for others, though the correlation between spending power and grant dependence is growing weaker.

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

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. But this funding is not the only source of income for authorities. They are also supported through council tax and locally raised and retained fees and charges, as well as through a range of grants for specific purposes.

It is for authorities to make decisions on allocation of their total resources. In exercising their functions, including when making policy and spending decisions, authorities are required to comply with the public sector equality duty. 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 to the need to advance equality of opportunity between those who are disabled and those who are not.

It is therefore not possible to predict how the proposed changes for 2015-16 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made at a local level on the allocation of funding to particular local services. But as mentioned above, the cumulative effect of reductions in Revenue Support Grant, changes in distribution, business rates retention and other changes in funding of individual authorities, including on Local Welfare Provision funding, and the council tax referendum principles, may result in services being stopped, scaled back or re-shaped. There will be cases in which the changes to those services will have a greater impact on members of one or more persons who share a protected characteristic, such as children

and young people, older people, or disabled people than on other groups.

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, which provides funding to local authorities in England to provide services to everyone in their areas. The overall benefit is the continued contribution to deficit reduction leading to a reduced burden on future generations.

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

We have identified a lack of specific data and information on the impact of the proposals on persons who share a protected characteristic and requested this data and information through previous consultations.

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 changes in funding could, without mitigating action and depending on the spending decisions made by authorities, have an adverse impact on persons who share a protected characteristic. 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. We have set out above an assessment of the possible impacts and what we consider are the mitigating factors

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

Name/Title	Teresa Clay		
Directorate/Unit	LGF	Lead contact	Teresa Clay
Date	3 February 2015	Date	3 February 2015

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 given to the need to: eliminate unlawful discrimination; advance equality of opportunity; and foster good relations.