



Department for  
Communities and  
Local Government

# The provisional Local Government Finance Settlement 2016-17 and an offer to councils for future years

## Draft Equality Statement



© Crown copyright, 2015

*Copyright in the typographical arrangement rests with the Crown.*

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This document/publication is also available on our website at [www.gov.uk/dclg](http://www.gov.uk/dclg)

If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

Department for Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF  
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

December 2015

ISBN: 978-1-4098-4753-3

# Draft Equality Statement

<b>1. Name of Directorate</b>
Local Government Finance, Department for Communities and Local Government
<b>2. Please list all the policy streams in your business area.</b>
<p>This draft equality statement covers the Government's proposed local government finance settlement for 2016-17. A full explanation of the proposals can be found in The Provisional Local Government Finance Settlement 2016-17 and an Offer to Councils for Future Years Consultation ("the Settlement Consultation 2016-17"), the draft 2016-17 Local Government Finance Report and the Draft Referendums Relating to Council Tax Increases (Principles) (England) Report 2016-17. Alternative notional council tax amounts for a number of local authorities are set out in the draft Referendums Relating to Council Tax Increases (Alternative Notional Amounts) (England) Report 2016-17.</p> <p>In summary, the policy streams within the proposed local government finance settlement for 2016-17 are:</p> <ul style="list-style-type: none"><li>• <u>Distribution of central resources</u>: Central funding<sup>1</sup> to be allocated in a way that ensures local councils delivering similar services receive a similar percentage change in 'settlement core funding'<sup>2</sup> for those services; £1.275 billion to be held back to fund the New Homes Bonus; £50 million to be held back for the business rates safety net; and additional funding of £20 million for the most rural authorities.</li><li>• <u>Transfers of funding</u>: including funding for the Care Act 2014; Council Tax Freeze Grant for 2015-16; Efficiency Support Grant for 2015-16; and lead local flood authorities funding responsibilities.</li><li>• <u>Funding additional to the settlement</u>: Compensation to continue in 2016-17 for the 2% cap on the small business rates multiplier announced at the 2013 and 2014 Autumn Statements, calculated on the basis of the reduction to estimated retained income, as in 2014-15; and resources set aside for sector-led support through the Improvement &amp; Development Agency.</li><li>• <u>Setting alternative notional amounts</u> so that:<ul style="list-style-type: none"><li>○ pending the establishment of the Somerset Rivers Authority as a precepting body, Somerset County Council and all Somerset district councils can set a shadow precept of up to 1.25%, for the purpose of funding the Somerset</li></ul></li></ul>

<sup>1</sup> Revenue Support Grant

<sup>2</sup> This takes into account the main resources available to councils: council tax income (including any Council Tax Freeze Grant) and the Settlement Funding Assessment, i.e. estimated business rates income (baseline funding level under the rates retention scheme) and the Revenue Support Grant.

- Rivers Authority; and
- Dorset and Wiltshire Fire Authorities can set the same level of fire precept across both counties when they merge in April 2016.
- Other elements: the central and local shares of business rates revenue to continue to be 50% each;<sup>3</sup> and the baseline funding level and tariff and top-up payments to be uprated in line with the small business non-domestic rating multiplier for 2016-17.

These proposals are made as part of an exercise of the Secretary of State's functions under Part 5 of the Local Government Finance Act 1988 (c.41), and section 52ZC of the Local Government Finance Act 1992 (c.14) ("the 1992 Act"). They are also made using the Secretary of State's power under section 52ZE of the 1992 Act to make a report specifying an amount ("an alternative notional amount") which in his opinion should be used by an authority as the basis of any comparison in applying section 52ZC of the 1992 Act in place of the authority's relevant basic amount of council tax for the preceding year.

As part of the 2015 Spending Review (prior to the proposals listed above), the Government agreed to a council tax referendum principle of 2% for all local authorities with an additional 2% flexibility for councils providing social care services (authorities falling within section 1(4) of the Care Act 2014). Future local government finance settlements will offer all councils the opportunity to benefit from firm funding allocations up to 2019-20 and, for social care authorities, access to an improved Better Care Fund.

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

The proposed local government finance settlement for 2016-17 could indirectly impact upon persons who share one or more protected characteristic, depending on the spending decisions made by local authorities in response to changes in the level and composition of central government funding and other sources of income. This is because any decrease in authority income has the potential to influence their ability to incur expenditure on, in particular, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it (for example services offered to the very young, the elderly and/or disabled persons). Local authorities must, in the exercise of their functions, also have due regard to the matters mentioned in section 149(1) of the Equality Act 2010 (c.15), which are detailed in section five of this document.

Potential indirect impacts are explored further in section seven of this document.

---

<sup>3</sup> This statement does not include any analysis of a shift to 100% local retention of business rates; this policy proposal is not being implemented as part of local government finance settlement for 2016-17.

**4. Who has responsibility for developing these policies?**

Matthew Style, Director, Local Government Finance, Department for Communities and Local Government (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 for 2016-17 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 (as set out in section 149(1))—

- (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; and
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Section 149(1)(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; and
- (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.

Section 149(1)(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 s.149(1)(a) of the duty are age; disability, gender reassignment; race; religion or belief; sex; sexual orientation; and marriage and civil partnership, pregnancy and maternity.

The relevant protected characteristics for the purposes of s.149(1)(b) and (c) of the duty are age; disability; gender reassignment; pregnancy and maternity; race; religion

or belief; sex; and sexual orientation.

**6. What published or otherwise public sources have you drawn upon when developing policies?**

Sources of evidence include:

- Responses to the technical consultation on proposals for the Local Government Finance Settlement for 2015-16 (submitted within a consultation period of July 2014 to September 2014).
- Responses to the consultation on the provisional Local Government Finance Settlement for 2015-16 (submitted within a consultation period of December 2014 to January 2015).
- Survey evidence including polls and similar research by Ipsos MORI, the Local Government Association (LGA) and PricewaterhouseCoopers (PWC) published in 2015.

Summaries of this evidence are provided in section seven below. Responses to the Settlement Consultation 2016-17 will also be considered prior to confirmation of the final local government finance settlement for 2016-17.

**7. Have you identified differences in need for those with a protected characteristic or evidence of an adverse equality impact on those with a protected characteristic?**

**What actions have you taken to mitigate any adverse equality impact on those with a protected characteristic?**

**Consultation and Survey Data**

DCLG's analysis of responses to the consultation on the provisional Local Government Finance Settlement for 2015-16 involved consideration of over 100 submissions, including responses from shire districts, county councils, London boroughs and fire and police authorities. Responses to this exercise and the other consultations referred to in section six stated that (in summary):

- The scale and distribution of the funding reductions set out for 2015-16 and 2016-17 would put at risk their ability to deliver services to persons who share a protected characteristic and would have an adverse impact on persons who share a protected characteristic.
- Persons who share one or more protected characteristics would be adversely affected by reductions in services generally, without identifying specific services targeted on any persons who share a protected characteristics which would be affected.
- Equality impacts are not directly linked to grant dependency; the impact of the scale and distribution of funding reductions instead depends on the quantity and nature of

persons who share one or more protected characteristics in an authority.

- The mitigations (proposed in the provisional local government finance settlement: England, 2015 to 2016) are limited and quickly lose effectiveness due to the continuing reductions in central funding.
- Government should do a full analysis and assessment of the impact of the proposed funding reductions.

DCLG also considered surveys and polls related to local government services by Ipsos MORI, the LGA and PWC published in 2015. Each of these studies were commissioned and performed independent of DCLG, and can be found online.<sup>4</sup> In summary:

- **The LGA** identified that for most key indicators, residents' views of local councils have remained broadly consistent in the last year. In June 2015, the proportion of people who were very or fairly satisfied with how their council runs things was 67%. The proportion that tended to agree or strongly agreed that their local council provides value for money stood at 51%.
- **Ipsos Mori** found that 36% of the public think that elderly care services have worsened over the last five years, while 13% think it has got better. For users of elderly care services, the corresponding figures are 41% and 22%. In 2013, 32% of users said that the service had got worse in the previous 5 years, so the proportion saying that the service has worsened has risen by 9%.
- **PWC** noted that local government leaders remain relatively confident in the short term, with over seven out of ten surveyed confident that they will be able to make the necessary savings in the next year without seriously impacting the quality of service delivery and outcomes. One in ten Chief Executives were confident in their council's ability to manage savings. Nine out of ten Chief Executives surveyed by PWC believed that some local authorities will get into serious financial difficulties in the next five years.

## DCLG Analysis

If reductions in central funding through the proposed local government finance settlement for 2016-17 cannot be met through other income streams, efficiency improvements, resource pooling or other savings programmes, then some local services may have to be re-shaped, scaled back or stopped depending on local decisions. Given that local authorities provide a wide range of services for their communities, there could be cases in which service reductions have a greater impact on persons who share a protected characteristic or are members of one or more

<sup>4</sup> Ipsos MORI: <https://www.ipsos-mori.com/researchpublications/researcharchive/3644/Coming-to-terms-with-austerity.aspx>

LGA: [http://www.local.gov.uk/research-performance-and-improvement-/journal\\_content/56/10180/7329734/ARTICLE](http://www.local.gov.uk/research-performance-and-improvement-/journal_content/56/10180/7329734/ARTICLE)

PWC: <http://www.pwc.co.uk/industries/government-public-sector/local-government/insights/local-state-were-in.html>

protected groups (such as children and young people, older people or disabled people).

The other proposals for local government funding included in section 2, for example those that were decided as part of the 2015 Spending Review and the announcement of multi-year settlements for councils place no restrictions on local government.

Instead, they increase the resource available to local government and provide the funding certainty and stability to enable more proactive planning of service delivery and support strategic collaboration with local partners, addressing some of the concerns identified in the survey data relating to councils' ability to manage savings in future years. They are therefore unlikely to have an adverse equality impact upon persons who share one or more protected characteristics or are members of one or more protected groups. These funding streams include the net-neutral distributions of central resources, transfers of grant funding, continuation of funding additional to the settlement, setting alternative notional amounts and other elements.<sup>5</sup>

The survey data summarised above did not specifically explore impacts on persons who share a protected characteristic, although perceived reductions in the quality of social care services could be interpreted as an impact on elderly and / or disabled persons. The Government has taken a number of actions to mitigate the potential effects of reduced central funding on consumers of adult social care as part of the 2015 Spending Review. These are detailed under the 'mitigations' heading below, alongside other Government proposals for the future local government finance system. No equality impact has been identified from public concern about the quality of other services, for example libraries, leisure centres, street lighting or road maintenance.

Specific impacts arising from the proposed local government finance settlement for 2016-17 will depend on the choices made by individual authorities. A reduction in funding through the settlement is likely to have most impact on authorities receiving high levels of central funding, and there has historically been some correlation between these authorities and the prevalence of persons who share a protected characteristic. However the impact of funding reductions upon persons who share a protected characteristic will also be influenced by:

- Changes in locally raised income. Central funding is one of a number of revenue streams, and likely increases in other sources of income such as retained business rates and council tax will mitigate reductions in central funding to some degree.
- How local authorities choose to manage reductions in funding. Councils provide a wide range of services, only some of which are required by statute, and only some of which may have an adverse equality impact on persons who share a protected characteristic. Central funding and retained business rates are unhypothecated and councils are responsible for the distribution and allocation of this resource across

---

<sup>5</sup> i.e. the New Homes Bonus, business rates safety net, rural funding, funding for the Care Act, Council Tax Freeze Grant, Efficiency Support Grant, lead local flood authorities, composition for the 2% cap on the small business rates multiplier, alternative notional amounts, resources for sector-led support central and local shares of business rates and uprated baseline funding level and tariff and top up payments.

local priorities.

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, 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 has a duty to assess the associated equalities impacts, including having 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 2016-17 and beyond 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. As noted above however, the cumulative effect of reductions in central funding, changes in distribution, business rates retention, authorities' ability to raise funds through council tax and other changes in funding may result in services being re-shaped, scaled back or stopped.

## Mitigations

Several policies proposed in the local government finance settlement for 2016-17, alongside other agreed and proposed changes to the local government finance system, are likely to mitigate potential adverse equality impacts of reduced funding for local government. Full descriptions and quantifications of the policy streams within the proposed local government finance settlement for 2016-17 can be found in the Settlement Consultation 2016-17. In summary:

- A new approach to central funding will provide greater protection for some councils providing adult social care and children's services. The Government proposes to allocate central funding in a way that ensures councils delivering the same set of services receive the same percentage change in 'settlement core funding', a measure which takes into account councils' business rates and council tax as central funding in making grant allocations. This will help direct resources to councils that need them most, reducing the potential impact of the proposed local government finance settlement for 2016-17 on local service provision.
- The business rates safety net will ensure 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 advantage of a multi-year settlement is that councils can smooth the impact of changes over time.
- Recognising that there may be additional costs associated with local service delivery in rural areas, the Government proposes to increase the rural services delivery grant within the proposed local government finance settlement for 2016-17.

£20 million will be held back from central funding in 2016-17 and paid as an unringfenced section 31 grant to the upper quartile of authorities based on the super-scarcity indicator, the best available proxy for rurality.

- Taking the full range of proposed and agreed changes to the local government finance system into account (including those agreed as part of the 2015 Spending Review), total resource for local government is forecast to increase in cash terms from £40.3 billion in 2015-16 to £40.5 billion in 2019-20. This will limit the potential impact of the proposed local government finance settlement for 2016-17 on local service provision. The proposals in the council tax draft Referendums Relating to Council Tax Increases (Principles) (England) Report 2016-17, for example, could benefit persons in protected groups, in relation to the provisions made for authorities falling within section 1(4) of the Care Act 2014.
- As part of the 2015 Spending Review, local authorities have been provided with flexibility to use the receipts from the sale of land and buildings to help pay for the upfront investment in the transformation of local services, offered for the financial years starting in 2016, 2017 and 2018, to enable intelligent savings to be made that protect frontline services and improve outcomes for residents.
- The 2015 Spending Review also offered a £3.5 billion package of support to ensure that councils are able to support some of their older and most vulnerable residents. This includes giving councils with responsibility for adult social care the freedom to increase their council tax by a further 2% for this purpose, which could raise up to £2 billion by 2019-20; and an extra £1.5 billion by 19-20 through the improved Better Care Fund, with funding going directly to councils to ensure health and social care services work together to support older and vulnerable people.

As noted above, it is not possible to predict how the proposed changes for 2016-17 and beyond will impact on specific persons who share a protected characteristic, so estimating the total effect of mitigating policies is difficult. Additional resource for social care agreed as part of the 2015 Spending Review (the last bullet above), whilst not part of the proposed local government finance settlement for 2016-17, is more likely to benefit elderly and/or disabled persons.

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

As explained in section 7 above, wider local government policy reform beyond the scope of this statement (such as the 2015 Spending Review decisions related to social care) are likely to have particular benefits for elderly and / or disabled persons.

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

The devolved nature of local government in England, including the unhypothesised nature of the bulk of government funding, does not lend itself to predicting changes in

service provision and, therefore, equalities impacts. As a result DCLG lacks reliable data and information on the impact of the proposals on specific persons who share a protected characteristic.

Through the Settlement Consultation 2016-17 DCLG is requesting evidence of potential equality impacts. Specifically, Question 17 asks:

- Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?

**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?**

The changes in funding could, without mitigating action and depending on the spending decisions made by authorities, have an adverse equalities impact on persons who share a protected characteristic. At this stage, however, there is not sufficient evidence to identify a 'substantial' equalities impact – the policy streams in the proposed local government finance settlement for 2016-17 are high-level, and primarily relate to the allocation of unappropriated funding. The proposals have been designed in the context of the 2015 Spending Review package which addressed the particular pressures experienced by councils as a result of social care services, allocating funding in a way that reflects the different sets of services that councils provide. The proposed local government finance settlement for 2016-17, with the mitigation outlined above, is intended to provide a sustainable path through to longer term reforms.

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 7 above, each local authority has a duty to assess the equalities impacts of their service provision choices.

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

Name/Title	Jonathan Dallaston		
Directorate/Unit	LGF	Lead contact	Jonathan Dallaston
Date	December 2015	Date	December 2015

**SCS Sign off**

MATTHEW STYLE

**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.**

