



Department for  
Communities and  
Local Government

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

## Equality Statement



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# 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 equality statement covers the Government's local government finance settlement for 2016-17. A full explanation of the proposals can be found in The Final Local Government Finance Settlement 2016-17 and an Offer to Councils for Future Years ("the Settlement 2016-17"), the 2016-17 Local Government Finance Report and the 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 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; 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>Publication of future local government finance settlements</u> provides all councils with the opportunity to benefit from firm funding allocations up to 2019-20.</li><li>• <u>Setting referendum principles</u>: In 2016-17 a council tax increase of 2% or more will require a referendum. Local authorities responsible for providing adult social care will be given an additional 2% council tax flexibility. All Shire districts will be able to increase their council tax by 2% or £5, whichever is greater. The lower quartile of Police and Crime Commissioners will be able to increase their council by £5.</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</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 their council tax requirement for 2015-16) and the Settlement Funding Assessment, i.e. estimated business rates income (baseline funding level under the rates retention scheme) and the Revenue Support Grant.

- 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 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.

In addition to the policy streams inside the local government finance settlement there are a number of additional funding streams which local authorities can draw on. These measures work together with the Local Government Settlement to provide a balanced finance package to meet the diverse needs of local government. More details about these other policies are provided in the Mitigation part of section 7.

### **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. 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 5 of this document.

Potential indirect impacts are explored further in section 7 of this document.

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

Matthew Style, Director, Local Government Finance, Department for Communities and Local Government (DCLG).

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<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.

**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 consultation on the provisional Local Government Finance Settlement for 2016-17 (submitted within a consultation period of December 2015 to January 2016).
- 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 7 below.

**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 responses on the Provisional 2016-17 Settlement**

Of the 278 respondents to the consultation, 113 commented on the potential impact of the Local Government Financial Settlement on people with protected characteristics. The following points are a summary of the main points raised in these responses;

- The most common observation was that the provisional settlement would negatively affect those with protected characteristics. This was commented upon by all main local authority types.
- Shire Counties in particular felt that the speed of the reductions in central funding in the Provisional Settlement would have a negative impact on people with protected characteristics; however, some other local authority types also expressed concern that they would be disproportionately affected.
- There was concern that there is a lack of transparency on funding related to the Care Act 2014 and the Improved Better Care fund. These concerns were also reflected in a wider concern that social care funding was inadequate and that this would disproportionately impact on elderly people. Some felt that the equality statement should also address funding reductions to the Public Health Grant.
- Several respondents commented that the inherited needs assessment which underpins the local government settlement is inadequate and that needs to be updated.
- Some disagreed with the statement's general nature, which they argued placed the onus on local authorities to evaluate the impact of local decisions and

prioritisations on those with protected characteristics. A small number commented that what they perceived inadequate length of the consultation period made it difficult for them to conduct their own equality assessment.

## Survey Data

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** findings included 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 41% thought that the services had worsened over the last 5 years.
- **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.

These surveys did not specifically explore impacts on persons who share a protected characteristic. 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. 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, given that these decisions are taken by local authorities.

## DCLG Analysis

Reductions in central funding through the proposed local government finance settlement for 2016-17 will require councils to make efficiency improvements through

<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>

resource pooling or other savings programmes, otherwise some local services will 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, it is recognised that if local authorities are unable to make efficiency savings there could be cases in which funding reductions indirectly have a greater impact on persons who share a protected characteristic or are members of one or more protected groups (such as children and young people, older people or disabled people).

The approach of the local government finance settlement is to allocate similar reductions to the Settlement Core Funding of authorities who deliver similar types of services. 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 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. 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. Alongside the Local Government Settlement several policies are being introduced that give local authorities greater flexibilities to raise funding; these are described in the Mitigation section below.

## **Impact of Referendum Principles and Alternative Notional Amounts**

Whether or not an authority is required to hold a referendum 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 that group. The additional flexibility policy for adult social care authorities is intended to allow councils to raise additional funding (without a referendum) for adult social care, this has been introduced to help local authorities meet particular financial pressures relating to this service area. The additional 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, in particular the protected characteristics of age and disability.

The purpose of the Alternative Notional Amounts is to enable a like-for-like comparison between relevant basic amounts of council tax for financial years 2016-17 and 2015-16 for the purposes of the authority's duty to determine whether its relevant basic amount of council tax for 2016-17 is such as to require it to have a referendum. As mentioned above, any impact on a particular protected group will arise from decisions taken by individual authorities about the level of expenditure on, and services offered to, that group and the alternative notional amounts will not in themselves have any impact.

## **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, provide local authorities with new options for raising funds. These measures if utilised will help mitigate potential adverse equality impacts of reduced central government 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:

- Approach to allocating central funding will provide protection for some councils providing adult social care and children's services. 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 2016-17 on local service provision.
- A transitional grant will be available to provide substantial additional funding to ease the pace of central government funding reductions during the most difficult first two years of the settlement this grant will be worth £150 million in 2016-17 and £150 million in 2017-18
- 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.
- Compensation for the 2% cap on the small business rates multiplier announced at the 2013 and 2014 Autumn Statements will continue in 2016-17. It will be calculated on the basis of the reduction to estimated retained income, as in

2015-16.

- The improved Better Care Fund will give social care authorities control of resources worth £105m in 2017-18, £825m in 2018-19 and £1,500m in 2019-20. It is proposed that this funding will be allocated to reflect the amount of income each local authority is able to raise from the additional flexibility in the council tax referendum principles. Together these measures will give social care authorities access to £3.5bn of funding outside the local government finance settlement.
- Forward allocations for Revenue Support Grant have been published out to 2019-20. This will give local authorities greater certainty over the future financial position which may help them smooth the impact of the changes over time.
- The Rural Services Delivery grant recognises 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 un-ringfenced section 31 grant to the upper quartile of authorities based on the super-sparsity indicator, the best available proxy for rurality. In addition to the funding held back an additional £60.5 million of new funding is being made available to support the delivery of rural services in 2016-17 and £30 million in 2017-18.
- Resources set aside for sector-led support through the Improvement & Development Agency.
- 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) the Core Spending Power of local government are forecast to stay almost constant falling from in cash terms from £44.5 billion in 2015-16 to £44.3 billion in 2019-20. This will limit the potential impact of the proposed local government finance settlement for 2016-17 on local service provision.

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. However a number of the new policies designed to give local government more control over their own funding, and reduce the reliance on central government funding are specifically targeted at Adult Social Care. The additional 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, in particular the protected characteristics of age and disability.

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

As explained in section 7 above it is possible that the additional council tax flexibility for social care authorities 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, in particular the protected characteristics of age and disability; however it is not possible to identify which specific group will benefit the most from the settlement as the outcomes

depend on how local authorities chose to implement the policies. 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?**

The devolved nature of local government in England, including the unhypothecated 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 sufficient data and information on the impact of the proposals on specific persons who share a protected characteristic.

**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?**

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 unhypothecated 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 increasing demand for social care services. 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	Ian Rose		
Directorate/Unit	Local Government Finance	Lead contact	Ian Rose
Date	February 2015	Date	February 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.**