

Summary of Questions and Responses (Fair Funding Review)

Question 1: What is your view on the balance between simple and complex funding formulae?

The new system on needs assessment and redistribution should be fair, transparent and capable of being kept up to date and clearly the simpler the system, the easier it should be to explain and understand.

The problem is that, whatever the funding formulae, it will be seen to be a fair, satisfactory or unsatisfactory representation of relative need depending on the outcome for a particular authority. On that basis, the methodology used on the introduction of the current Business Rates Retention scheme using up to date data could be as 'good' an option as any other. There is an overarching principle we would wish to put forward and set this out below:

As part of the Local Government Finance Settlement 2016/17 local authorities were provided with indicative figures for both their Settlement Funding Assessment (SFA) and New Homes Bonus (NHB) for the period 2016/17 to 2019/20. Due regard would have been taken to these indicative figures for budgeting purposes and financial planning.

Therefore, a principle we would want to see applied is for the baseline funding level to be at least equal to the indicative SFA figure for 2019/20 and, if NHB is to be subsumed within the system, the sum of the indicative SFA and NHB figures for that year; plus any additional funding as a result of devolution of responsibilities. In this way no council should be any worse off than it had been expecting (and working towards) in the lead up to 100% business rates retention and included in their core spending power calculations.

If this principle is not adopted, the level of funding any one council receives post 2020 could alter significantly for the worse and place financial sustainability at risk where transitional arrangements in the form of damping will be a prerequisite.

Question 2: Are there particular services for which a more detailed formula approach is needed, and – if so – what are these services?

See response to question 1.

Question 3: Should expenditure based regression continue to be used to assess councils' funding needs?

See response to question 1.

Question 4: What other measures besides councils' spending on services should we consider as a measure of their need to spend?

See response to question 1.

Question 5: What other statistical techniques besides those mentioned above should be considered for arriving at the formulae for distributing funding?

See response to question 1.

Question 6: What other considerations should we keep in mind when measuring the relative need of authorities?

It needs to recognise particular arrangements that only exist in some authorities, such as internal drainage boards and consideration needs to be given to the balance between statutory and discretionary services.

Question 7: What is your view on how we should take into account the growth in local taxes since 2013-14?

Do not support taking into account the growth in local taxes. Furthermore, to give greater control and flexibility over their finances council tax levels should be a decision for councils and the council tax referendum principles withdrawn.

Question 8: Should we allow step-changes in local authorities' funding following the new needs assessment?

If the principle set out in the response to question one is not applied the level of funding any one authority receives post 2020 could alter significantly for the worse and place financial sustainability at risk where transitional arrangements in the form of damping will be a prerequisite. In this scenario adopt the same approach to that in 2013/14.

Question 9: If not, what are your views on how we should transition to the new distribution of funding?

See response to question 8.

Question 10: What are your views on a local government finance system that assessed need and distributed funding at a larger geographical area than the current system – for example, at the Combined Authority level?

For Combined Authority areas at their request but generally do not support in that it replicates the national debate on relative need at a local level.

Question 11: How should we decide the composition of these areas if we were to introduce such a system?

See response to question 10.

Question 12: What other considerations would we need to keep in mind if we were to introduce such a system?

See response to question 10.

Question 13: What behaviours should the reformed local government finance system incentivise?

No comments.

Question 14: How can we build these incentives in to the assessment of councils' funding needs?

No comments.