

Fair funding review: a review of relative needs and resources – Technical consultation on relative need

Preamble

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 whatever the funding formulae it will be seen to be a fair, satisfactory or unsatisfactory representation of relative need depending on the outcome.

That said, on face value subject to response to Question 1, a foundation formula plus one or two service specific areas for district council services could be the way forward. Clearly, further data and modelling is required to better understand the impact of the various choices before reaching a conclusion.

Of further (probably greater) concern to this Council is New Homes Bonus (NHB). This is a critical component of our overall grant funding and included in core spending power calculations. To put this into context in 2019/20 our Settlement Funding Assessment is projected to be around £1.3m and NHB £3.4m. Papers on future funding are silent on this source of funding which we again ask be made a permanent part of overall funding rather than open to potential change year on year. The current arrangement does not aid financial planning and at worse could put financial sustainability at risk.

As the level of funding attributed to any one council post 2020 could decrease markedly, transitional arrangements in the form of damping will be a prerequisite.

A view expressed previously and again is 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over their finances council tax levels should be a decision for councils and the council tax referendum principles withdrawn.

Summary of Questions and Responses

Question 1: What are your views on the Government's proposals to simplify the relative needs assessment by focusing on the most important cost drivers and reducing the number of formulas involved?

The proposal that the new system begins with a transparent foundation formula to allocate all (or at least a proportion) of the available funding to each type of local authority using common cost drivers, but acknowledging certain service areas may require a more specific approach, service specific cost drivers at face value seems reasonable. As does the intention to limit the number of cost drivers included in a simple foundation formula to those that have a significant impact on the cost of providing services.

Most of the service specific areas identified are upper tier services suggesting a foundation formula could be particularly relevant for district council services. The service specific areas identified relevant to district council services, waste disposal

and collection services and legacy capital financing (subject to response to Question 17a) seem appropriate.

However, we would ask does the system not need to first recognise and fund particular arrangements that only exist in some local authorities such as internal drainage boards' special levies and consideration given to also including local council tax support funding. Stage one, stage two; the foundation formula plus the service areas which may require a more specific approach.

Furthermore, the integrity of the system will be better served if wherever possible an easily updated and readily understood evidenced-backed approach is used.

Clearly, further data and modelling is required to better understand these choices and how the various strands might come together to make an informed response.

Question 2: Do you agree that the Government should use official population projections in order to reflect changing population size and structure in areas when assessing the relative needs of local authorities?

Agree.

Question 3: Do you agree that these population projections should not be updated until the relative needs assessment is refreshed?

Annual updating of data would allow the system to respond to relative need changes and could lessen the resulting stepped change from periodic updates. Use of projections over a set funding period, on the other hand, should aid short to medium term financial planning.

Question 4: Do you agree that rurality should be included in the relative needs assessment as a common cost driver?

Agree.

Question 5: How do you think we should measure the impact of rurality on local authorities' 'need to spend'? Should the relative needs assessment continue to use a measure of sparsity or are there alternative approaches that should be considered?

The paper recognises further exploration on how to measure the impact of rurality on local authorities need to spend is needed in order to determine data sources available that measure or proxy the relative cost of providing services in rural areas. Until the outcome of that work is known supplemented by exemplifications showing potential funding allocations it is difficult to make an informed response.

Question 6: Do you agree that deprivation should be included in the relative needs assessment as a common cost driver?

Agree albeit noting in the interest of simplicity and transparency, the foundation formula should primarily be based on population.

Question 7: How do you think we should measure the impact of deprivation on 'need to spend'? Should the relative needs assessment use the Index of Multiple Deprivation or are there alternative measures that should be considered?

Further data and modelling is required to make an informed response.

Question 8: Do you have views on other common cost drivers the Government should consider? What are the most suitable data sources to measure these cost drivers?

A fixed cost element is included in the current assessment formula to reflect minimum costs faced by local authorities regardless of its size. A fixed cost element could be based on 'bottom up estimates' of the minimum employee and running costs.

Question 9: Do you have views on the approach the Government should take to Area Cost Adjustments?

Agree that it is important to reflect differences in the costs of delivering services in any future funding formula, but does need to be fair (seen to be fair) transparent and readily understood. Experience suggests this is not straightforward where one authority finds itself in one group and a seemingly similar neighbouring authority in a different group.

Further data and modelling is required to make an informed response.

Question 10a: Do you have views on the approach that the Government should take when considering areas which represent a small amount of expenditure overall for local government, but which are significant for a small number of authorities?

Flood defence, if relevant here, to be seen as a national issue and as such funded from general taxation.

Question 10b: Which services do you think are most significant here?

See response to Question 10a.

Question 11a: Do you agree the cost drivers set out above are the key cost drivers affecting adult social care services?

No comment – on the grounds it is not a district council service.

Question 11b: Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting adult social care services?

No comment – on the grounds it is not a district council service.

Question 12a: Do you agree that these are the key cost drivers affecting children's services?

No comment – on the grounds it is not a district council service.

Question 12b: Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting children's services?

No comment – on the grounds it is not a district council service.

Question 13a: Do you agree that these are the key cost drivers affecting routine highways maintenance and concessionary travel services?

No comment – on the grounds it is not a district council service.

Question 13b: : Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting routine highways maintenance or concessionary travel services?

No comment – on the grounds it is not a district council service.

Question 14a: Do you have views on what the most suitable cost drivers for local bus support are?

No comment – on the grounds it is not a district council service.

Question 14b: Do you have views on what the most suitable data sets are to measure the cost drivers for local bus support?

No comment – on the grounds it is not a district council service.

Question 15a: Do you agree that these are the key cost drivers affecting waste collection and disposal services?

Agree in principle.

Further data and modelling is required to assess whether the proposed indicators could produce a fair assessment of relative waste management costs.

Question 15b: Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting waste collection and disposal services?

See response to Question 15a.

Question 16a: Do you agree these remain the key drivers affecting the cost of delivering fire and rescue services?

No comment – on the grounds it is not a district council service.

Question 16b: Do you have views on which other data sets might be more suitable to measure the cost drivers for fire and rescue services?

No comment – on the grounds it is not a district council service.

Question 17a: Do you agree these are the key cost drivers affecting the cost of legacy capital financing?

Not applicable to this Council.

On the assumption this cost area does not apply to many district councils and if it does is time limited is there an argument for this cost area to be dealt with separately rather than as a service specific area within the relative needs assessment.

Question 17b: : Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting legacy capital financing?

Assume the current data sets remain appropriate.

Question 18a: Are there other service areas you think require a more specific funding formula?

In terms of district council services no other service areas come to mind at this time that requires a more specific funding formula.

However, would again ask does the system not need to first recognise and fund particular arrangements that only exist in some local authorities such as internal drainage boards' special levies and consideration given to also including local council tax support funding. Stage one, stage two; the foundation formula plus the service areas which may require a more specific approach.

Question 18b: Do you have views on what the key cost drivers are for these areas, and what the most suitable data sets are to measure these cost drivers?

To be read in conjunction with response to 18a. For particular arrangements that only exist in some local authorities such as internal drainage boards' special levies – actual expenditure and local council tax support funding – claimant numbers.

Question 19: How do you think the Government should decide on the weights of different funding formulas?

The weighting assigned to different formulas should not be based on the proportion of local government spending assigned to those services. This would penalise district councils who have seen the greatest reduction in spending power as a result of the austerity measures since 2010/11. Basing future weightings on expenditure would perpetuate the uneven impact of these cuts on district councils. When weighting formulas lower-tier services should account for at least the same proportion of overall needs as in the existing formula.

Further data and modelling is required to make an informed response.

Question 20: Do you have views about which statistical techniques the Government should consider when deciding how to weight individual cost drivers?

It is difficult in the absence of any exemplifications showing potential funding allocations to make an informed response in isolation.

The statistical techniques to use should continue the aim of developing a simpler, fair and more transparent system.

Question 21: Do you have any comments at this stage on the potential impact of the options outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No comments on the potential impact of the options outlined on persons who share a protected characteristic.