

## **Review of local authorities' relative needs and resources: Technical consultation on the assessment of local authorities' relative needs, relative resources and transitional arrangements**

### **Preamble**

Any outcome of the Fair Funding Review will not be sustainable unless it is introduced alongside sufficient additional resources to meet the funding gap facing local authorities.

Local authorities must receive as much advance notice as possible of their provisional funding baselines to enable proper financial planning.

This consultation sets out the potential approaches that have been identified to measuring the relative needs and resources of local authorities; and transitional arrangements. But does not include any exemplifications showing potential funding allocations and, therefore, difficult to make an informed response in isolation. Clearly, further data and modelling is required to better understand how the various strands might come together to make an informed response. As such, the response to the consultation is to be read in that context.

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.

Of particular 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. 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. NHB has in recent years been in excess of £3.0m as a result of above average housing growth, whereas using average housing growth over the medium to long term would suggest NHB of circa £1.8m based on the current scheme. How is this to be taken into account in determining funding allocations?

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over their finances council tax levels should be a decision for councils and the council tax referendum principles withdrawn.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: Do you have views at this stage, or evidence not previously shared with us, relating to the proposed structure of the relative needs assessment set out in this section?**

The proposed use of a foundation formula plus the two service specific funding formula, legacy capital finance and flood defence and coastal protection with an area cost adjustment applied as appropriate, together with the cost drivers to be used in each formula to measure shire district councils' relative needs in principle supported. The flood defence and coastal protection formula should take account of the costs of Internal Drainage Board levies faced by some authorities.

The technical paper published alongside this consultation to 'map' expenditure lines from local authority general fund revenue account outturn forms to specific areas of the needs assessment highlights expenditure by shire district councils attributed to services with a service specific formula for upper-tier authorities, e.g. highways maintenance and public health. How is this to be taken into account in determining the proportion of overall funding that is allocated by each funding formula?

**Question 2: What are your views on the best approach to a Fire and Rescue Services funding formula and why?**

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

**Question 3: What are your views on the best approach to Home to School Transport and Concessionary Travel?**

No comment.

**Question 4: What are your views on the proposed approach to the Area Cost Adjustment?**

Believe it is important to include an Area Cost Adjustment in the assessment of relative needs; and the proposed approach to the Area Cost Adjustment supported.

**Question 5: Do you agree that the Government should continue to take account of non-discretionary council tax discounts and exemptions (e.g. single person discount and student exemptions) and the income forgone due to the pensioner-age element of local council tax support, in the measure of the council tax base? If so, how should we do this?**

Agree that non-discretionary council tax discounts and exemptions and the pensioner-age element of local council tax support should be taken into account in the measure of the council tax base. Suggest the council tax base return be used to capture the necessary data.

**Question 6: Do you agree that an assumptions-based approach to measuring the impact of discretionary discounts and exemptions should be made when measuring the council tax base? If so, how should we do this?**

Agree that an assumption-based approach be used to take account of the impact discretionary discounts have on the council tax base. The assumption should be that no discretionary discounts (with the exception of local council tax support for working-age claimants) or premiums are applied.

**Question 7: Do you agree that the Government should take account of the income forgone due to local council tax support for working age people? What are your views on how this should be determined?**

Agree that the working-age element of local council tax support should be taken into account in the measure of the council tax base. Could the pensioner-age element parameters be used here and the council tax base return used to capture the necessary data?

**Question 8: Do you agree that the Government should take a notional approach to council tax levels in the resources adjustment? What are your views on how this should be determined?**

Agree should take a notional approach to council tax levels in the measure of council tax income. As to the level to adopt suggest an objective measure to be the average council tax level.

**Question 9: What are your views on how the Government should determine the measure of council tax collection rate in the resources adjustment?**

A single, uniform collection rate supported. As to the level to adopt suggest an objective measure to be the average council tax collection rate.

**Question 10: Do you have views on how the Government should determine the allocation of council tax between each tier and fire and rescue authorities in multi-tier areas?**

The average national share of council tax receipts in multi-tier areas between the shire county precept, the shire district element and the fire element of council tax bills supported.

**Question 11: Do you agree that the Government should apply a single measure of council tax resource fixed over the period between resets for the purposes of a resources adjustment in multi-year settlement funding allocations?**

Agree should apply a single measure of council tax resource fixed over the period. Historical (recent) trends are not necessarily indicative of future tax base growth.

**Question 12: Do you agree that surplus sales, fees and charges should not be taken into account when assessing local authorities' relative resources adjustment?**

Agree strongly.

**Question 13: If the Government was minded to do so, do you have a view on the basis on which surplus parking income should be taken into account?**

Strongly of the view that surplus sales, fees and charges including surplus parking income should not be taken into account when assessing local authorities' relative resources adjustment.

**Question 14: Do you agree with the proposed transition principles, and should any others be considered by the Government in designing of transitional arrangements?**

Agree with the proposed transition principles. For the transition to be both manageable and sustainable the scale and size of any reduction should be taken into account in determining the length of the transition period not forgetting the likely significant cost reductions already made to date, where greater flexibility may help.

**Question 15: Do you have views on how the baseline should be constructed for the purposes of transition?**

Suggest consider the actual resources that authorities are receiving from the major funding streams, rather than a single element, similar to core spending power calculations for the purposes of transition.

**Question 16: Do you have any comments at this stage on the potential impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.**

No comment.