

Fair Funding Review: A Review of Relative Needs and Resources

Kettering Borough Council Response to Consultation

Kettering Borough Council welcomes the opportunity to respond to the above consultation.

Summary

The Council would like to stress that the current funding problems facing local authorities are due far more to the overall diminishing level of resources than they are to the distribution of those resources between local authorities, and consideration of the overall funding should have been given priority over the consideration of relative needs. In this respect the Council requests that the Government should reconsider its decision to base the increases in the business rates multiplier on CPI rather than RPI. It has been estimated that the lost revenue from this will be £1 billion over the first three years of operation.

We believe that housing is sufficiently important both to warrant being recognised within the foundation formula as one of the major cost drivers, and also to be a service block within its own right.

There is still the danger that the foundation formula will require a high degree of ministerial judgement in that ministers will determine the total amount to be distributed through the formula, the indicators that would be used and the weightings given to those indicators. The decision as to how much is allocated through the foundation formula will then determine how much in total is allocated to specific service such as adult social care, children's services etc.

In answer to Question 11 on adult social care we have highlighted the contribution that district councils make to preventative measures. We believe that there should be a far greater joint working within the public sector to spend money earlier during the care cycle to ensure savings at a later stage, and the relative needs assessment should take this into account.

Finally, we are concerned that research, discussions and consultations on these and related issues are not yet sufficiently advanced to guarantee that a tested and workable system could be developed in time to come into operation in April 2020.

Having said that we believe that the consultation paper is well researched and presented. There is a consensus that the current funding formulae are out-dated and some are overly complicated. The principles that the Government have set as guidance for the needs element are individually commendable, although together will require some compromise in order to work. We would like to raise a concern about the proposed timetable (issued in September 2017), in that there does not specifically mention any further consultation before the 2020/21 Local Government Finance Settlement, even though paragraph 1.5.3 of the current consultation alludes to this.

Overall the new scheme should have the following attributes:

- Understandable rather than oversimplified
- Should be supported by additional resources to close the current funding gap
- New Homes Bonus should be outside the scope of the scheme
- Must create incentives for growth and support authorities embracing innovation
- Avoid disincentives and perverse incentives

- Support authorities that have committed to long term investment based on the current funding system
- Have sufficient detail to account for the granularity of district council services
- Reflect district councils' roles in prevention to reduce adult social care demand

Individual Questions

Measuring Need

- 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 formula involved?**

Response: The Council agrees that there needs to be a simplification of the formulae, and an underlying foundation formula, based on population, would seem a logical starting point. The downside of this however, is that a large proportion of the available funding would be distributed through service specific formula, meaning that almost all district council services could end up being funded on one fairly simplistic basis. The foundation formula, lacking as it might much correlation with other variables, could be subject to considerable ministerial discretion, which is at odds with the principle of objectivity. Nevertheless it is an option for which we would support further research.

Common Cost Drivers

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

Response: We support the use of official population projections to reflect changing population size and composition. Any new system must be capable of taking into account potential future changes. If this is to be introduced there must be far more transparency about how the projections are derived. We also believe that the projections should take account of transient population such as students.

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

Response: We have our reservations about this proposal. Although periodic updating of population data may impact on the stability of the system, it is more important that the data is as accurate as possible. Annual variations to population data will probably be marginal but this would avoid more extreme changes if data is only refreshed over a longer time period. Population will be the most significant cost driver and it is important that the figures are the most accurate and up to date as possible. It is also important that projections rather than mid-year estimates are used in order to keep pace with high growth authorities.

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

Response: Logic suggests that there must be a link between rural locations and the costs of public services. However, quantifying that relationship has proved difficult over the years, so whilst we support, in principle, the assumption that this should be included as a common cost driver, we feel that there needs to be further refinement of the measures.

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?

Response: Although rurality and sparsity are contiguous they are not necessarily synonymous, and it might clarify things if definitions were provided. Having said that however, it is difficult to see what measures could be employed other than continuing with a sparsity indicator. We have argued elsewhere in this response that housing should be included within the foundation formula and in this context we would like to see some measure of the dispersal of households used in the calculation of sparsity.

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

Response: We believe that it is essential that deprivation should be included in any future funding formula. There is a clear link between an individual's physical and material health and their potential requirement for local authority services.

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?

Response: The Index of Multiple Deprivation provides a measure of not just material wellbeing but also social, physical and environmental wellbeing, and as such would seem to be an obvious choice for the relative needs assessment. It is difficult to think of any other measure that would be available consistently across the country that provides such an overview.

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?

Response: The Council would like to see a housing measure included within the foundation formula as certain district council services, waste collection and recycling being examples, vary as much with household composition as with actual population numbers.

Within the current funding formula there are a number of other cost drivers and we believe that consideration should be given to the continuance of at least some of these:

- Population density.
- Daytime population, as measured by commuters and day visitors. Some districts with relatively small resident populations experience very high commuter and / or day visitor numbers which puts pressure on local services, but which are unlikely to be reflected in a population based foundation formula.
- Fixed cost amounts, which are particularly important for smaller district councils.
- Concessionary travel
- Flood defence
- Coastal protection

We consider that Flood Defence and Coastal Protection would be best dealt with as a specific grant for those authorities affected.

Area Cost Adjustments

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

Response: The area costs adjustment should, if possible, be extended to cover running costs other than just labour and rent / rates. Using average house prices for example would make an allowance for areas with high levels of commuting.

Treatment of Small but Locally Significant Duties

10 Do you have any 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?

Which services do you think are the most significant here?

Response: We believe that if services are not significant at a national level then they are better supported through specific grants to individual authorities rather than trying to tailor revenue support grant to a small number of recipients. In this context see our response to Question 8 above.

Service Specific Cost Drivers

Questions 11 to 18 pose the following two questions:

Do you agree that the cost drivers set out above are the key cost drivers affecting (*specific*) service?

Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting (*specific*) service?

These are applied to the following services which the Government feel warrant service specific cost drivers rather than distribution through the foundation formula.

- Adult social care services
- Children's services
- Highway maintenance and concessionary travel
- Local bus support
- Waste collection and disposal
- Fire and rescue services
- Cost of legacy capital financing
- Other service areas

Response: We agree that the services above by their scale and nature will require their own specific needs measures. However, with the exception of waste collection and legacy capital financing, they are all services provided by upper tier authorities. We are concerned that the needs assessment for virtually all district council services will be based on the foundation formula. We have already expressed our support for the principle of a foundation formula but do feel that district council services are of sufficient importance to warrant their needs being assessed on a slightly more sophisticated basis and less at the discretion of ministers.

In our Summary we have alluded to district council's contribution towards reducing adult social care costs for upper tier authorities, and we believe this should be recognised within the cost drivers.

We also feel that it is difficult to comment on the key cost drivers until the relative importance or weighting that will be applied to rurality and deprivation. On the issue of deprivation we believe it is not a question of whether or not it should be included, but more around the scale of deprivation related funding and the way it is distributed.

On the specific services the Council would like to make the following comments:

Question 11 Adult Social Care

Any cost drivers should recognise the important role that district councils play in prevention which reduces demand on the NHS and county council services. In this context the work that districts do in providing disabled adaptations in order to enable people to remain in their own homes is particularly important.

Question 15 Waste Collection and Disposal

We agree with the cost drivers but would like to modify the number of households to reflect the average number of persons constituting a household since the number of properties alone is not indicative of the amount of waste produced. Two further cost drivers could also be considered:

- The location and number of tipping / transfer stations
- Density of properties and the proportion of properties that are urban, suburban or rural.

Question 17 Legacy Capital Financing

The actual levels of outstanding debt and actual interest rates should be used rather than assumed figures.

Question 18 Any Other Services Requiring Specific Funding

General Fund services for housing and homelessness are sufficiently important to warrant having a specific formula. The cost drivers could be based on measures likely to drive the local balance of housing demand supply which would determine local authority intervention in the housing market.

Weighting Funding Formulae and Cost Drivers

19. How do you think the Government should decide on the weights of different funding formulae?

Response: We believe that the first step should be assess the total needs of local authorities and then to address the issue of the shortfall in the resources available. Without this discussion any consideration of the relative needs will only reconfigure the distribution of inadequate funding. We would also prefer to see a decision that is based on objective criteria rather than simply on ministerial judgement. Basing this solely on current expenditure patterns on the various services would simply perpetuate any existing inequalities in distribution. However, if the current expenditure patterns could be adjusted for current trends and some assessment made of potential future pressures then this could provide a more objective measure of needs.

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

Response: The consultation document provides a range of different statistical methods for creating the new formulae but, as with all statistical techniques, they can only be as good as the variables that are selected. In this respect would it be better to concentrate initially on agreeing the most appropriate variables and then to address the question of the most appropriate statistical techniques afterwards?

We are concerned that there may be a lack of consistency among local authorities in the preparation of some data, particularly fees and charges, in the preparation of RA and RO forms, and to use any unaudited data to inform funding decisions could be problematic.

The Council does not believe that simple expenditure based regression indicators are reliable and would support the alternative approach contained in paragraph 5.6.5 of the consultation paper, including in the cost drivers a measure of historic funding received by local authorities.

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.

Response: We do not believe that there is sufficient information in the document to comment on this.