



CABINET - 9TH MARCH 2018

**RESPONSE TO FAIR FUNDING REVIEW TECHNICAL
CONSULTATION ON RELATIVE NEED**

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PART A

Purpose of the Report

1. The purpose of this report is to seek approval of the Council's proposed response to the Government's Fair Funding Technical Consultation on Relative Need.

Recommendation

2. It is recommended that the draft response to the Fair Funding Technical Consultation on Relative Need, as set out in the Appendix to this report, be approved.

Reason for Recommendation

4. To respond to a Government technical consultation seeking views on what factors drive local government spending and how these can be reflected in the new "fair funding" system from 2020.

Timetable for Decisions (including Scrutiny)

5. The deadline for responses to consultation is 12th March 2018.

Resource Implications

6. The technical consultation seeks views on how the Government should assess the relative needs and resources of local authorities in the new "fair funding" allocation system due to be introduced from April 2020.
7. The Government's proposals include a relatively small number of key drivers when compared with the numbers of indicators used in previous funding formulae. Proposed "common cost drivers" include population, rurality and deprivation and the continuance of a measure for "area cost adjustment" is proposed. A relatively small number of "service specific" cost drivers are proposed for services including adult social care, children's services, highways maintenance and public transport, and waste collection and disposal.

8. The County Council is the lowest funded county in the country and is among the lowest funded of all authorities. Counties in general receive lower funding than London, metropolitan and urban areas. The County Council's own research and modelling has shown that a system built on a relatively small number of key drivers of spending should produce a fairer distribution of funding.

Circulation under the Local Issues Alert Procedure

9. None.

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PART B

Background

10. Funding baselines for local authorities, as determined by the Local Government Finance Settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind the current assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rate retention system in 2013/14.
11. On 5th July 2016, the Government published the Business Rates Reform Fair Funding Review: Call for evidence on Needs and Redistribution, consultation on which took place until end September 2016. The County Council had long argued that the formulae used to assess needs and to distribute Settlement Funding has been unfair. Leicestershire has been the lowest funded County Council for many years. Whilst it was accepted that there would be variations in relative needs, the current scale of variations was much too wide. The opportunity to contribute to the call for evidence was therefore welcomed and the County Council's response supported the establishment of a new, simpler and fairer approach to assessing need.
12. On 19th December 2017, the Government published a technical consultation on relative need. The consultation closes on 12th March 2018.

Response to the Fair Funding Review Technical Consultation on Relative Need

13. The County Council continues to press the case that the current formulae used to assess needs and to distribute Settlement Funding is unfair and as long been in need of a major overhaul. The invitation to respond to the technical consultation is therefore welcomed as a further opportunity to restate the County Council's case for fairer funding but also as an opportunity to express strong support for the general messages and "direction of travel" set out in the consultation. The proposals are generally in line with the County Council's own suggestions that the new system should be built upon a relatively small number of key drivers.
14. There is, however, a long way to go, and the devil will be in the detail. In addition, there is no doubt that reforming the current system in a period of reducing resources will be very difficult.
15. The proposed response to the technical consultation is set out in the Appendix to this report.

Equality and Human Rights Implications

16. There are no direct implications arising from the response to the consultation.

Risk Assessments

17. The risks around the funding implications of the proposals within the consultation will be addressed in the Council's Medium Term Financial Strategy.

Background Papers

Fair Funding Review: a review of relative needs and resources - Technical Consultation on relative need

<http://bit.ly/2kk9ur1>

Report to the Cabinet on 16th September 2016 - Responses to Consultation on Self-Sufficient Local Government: 100% Business Rates Retention and Business Rates Reform Fair Funding Review: Call for Evidence on Needs and Redistribution

<http://bit.ly/2EUtFrW>

Appendix

Response to the Fair Funding Review Technical Consultation on Relative Need