

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

Leicestershire County Council welcomes the opportunity to respond to the above consultation. As the lowest funded County Council, Leicestershire is keenly interested in the Fair Funding Review.

The County Council continues to press for the development of a funding system which achieves a much fairer distribution of local government funding than the current system has achieved.

The current system is broken, with little link between the spending power of local authorities and local needs. The County Council has long acknowledged that logically someone has to be 'bottom of the league table' but the gaps between those at the bottom, those at the top and also from the overall average level of funding, have been far too wide for far too long.

It is imperative that the Government fixes the funding system by creating one that incentivises all councils to be efficient and recognises local differences in need, hence addressing the fundamental problems and unfairness of the current funding situation.

The table below picks out a few Authorities and looks at their overall spending power in 2018/19 and the level of funding Leicestershire would receive if it had the equivalent spending power. A full table is shown as Appendix 1. To compare unitaries and counties, adjustments for fire and districts have been included. The only conclusion that can be drawn is the system is unfair.

Spending Power Comparison

Authority	Spending Power per head in 2018/19	Extra Funding Leicestershire would receive if it had the same spending power
Islington	£1,124	£305m
Westminster	£993	£215m
Surrey	£823	£99m
Oxfordshire	£751	£50m
Northamptonshire	£701	£16m
Leicestershire	£677	

The County Council has been campaigning hard over the last year or so to state the facts of the current wide disparities in local government and to argue for a much simpler, yet more realistic system, based on a relatively small number of key cost drivers.

The Council has modelled such a formula, which produces a narrower, fairer distribution of funding. The Council is very pleased to see that the Government appears minded to consider a similar approach to make the funding system more fair

and transparent. Although the Government needs to listen to the sector, at the same time, it must only change its approach based on strong evidence. The plural of anecdote is not data.

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 Council welcomes this proposal. Previous formulae have been too complex and a focus on only the most important cost drivers should make the formula much more understandable to councillors, officers and the general public.

The Council does not think using a single formula to estimate relative need for the totality of local government services is feasible or appropriate, as it is highly likely to be too crude to deliver an equitable result. It is welcome that the Government has recognised this by proposing service-specific formulae as an element of the assessment.

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?

The Council agrees that the Government should use official population data and forecasts.

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

Assuming the relative needs assessment is to be updated relatively frequently, the Council agrees that population projections should not be updated until the assessment is refreshed. If however refreshes are only after relatively longer periods, the Government should consider updating population projections on a more frequent basis, to keep pace with any major demographic changes that may occur.

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

Yes, rurality/sparsity needs to be included as a common cost driver.

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?

Sparsity should continue to feature in the assessment. Further research should be undertaken to assess the impact on key service areas where rurality is a major cost driver, e.g. social care, transport and waste management. The current research is limited and lacks depth. It should be noted that 'density' can also bring extra costs. In relation to sparsity, as well as being evidence based the approach taken needs to be

proportionate i.e. only incorporate a factor if it has a meaningful impact on the cost of service provision.

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

Deprivation should continue to be treated as a common cost driver, although the weighting given to it in previous formulae needs to be reviewed and based on evidence. The Council is uncertain as to whether the previous high weighting can be supported by evidence.

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?

The Index of Multiple Deprivation should be considered, along with any further proposals, but the results of treatment of this and other key drivers needs to be sense-checked carefully, so that the wide disparities seen between urban and rural authorities in previous formulae are not built into the new formula.

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?

The Council agrees with the Government's proposal to use population, rurality and deprivation as the set of common cost drivers, with other more specific cost drivers being applied for particular service block sub-formulae.

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

The Area Cost Adjustment should be limited to only those relative additional costs which impact on local authorities, e.g. employment costs should be limited to costs applying in the public sector rather than in the overall economy. The Government also needs to make sure the approach to area cost does not lock in inefficiency and extra cost. For example, fully compensating some authorities for higher costs may stop them relocating back office services to lower cost parts of the country. Or indeed relocating services and benefiting from extra funding.

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?

Such areas could possibly be funded by specific grants, so that the new fair funding formula is not cluttered with relatively minor issues. Flood defence funding has been traditionally supported via the Settlement and could continue to be included, as the majority of authorities (and not just lower-tier ones as incorrectly noted in the consultation) require funding to a greater or lesser extent.

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

Flood defence, as suggested in the consultation and maybe unaccompanied asylum seeking children.

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

The Council agrees that these 5 key drivers are appropriate, particularly the number of adults by age groups – especially those aged 80 and above – and the number of adults with income and wealth that meet the means test. The number of people with higher levels of impairment (including the types of impairment e.g. mental illness, dementia, learning disabilities etc.) and a measure for sparsity are also key drivers.

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?

Population by age groups can be drawn from ONS mid-year population statistics and forecasts. Income deprivation data is available from the Indices of Deprivation, Income Deprivation Domain, published by MHCLG. Disabled adults statistics are available from Census data.

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

These four key drivers are appropriate regarding children's services. Data on disabled children could be taken from Census data. ONS statistics

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?

Numbers of children under 18 years of age – or under 25, to reflect the responsibilities of Children's Services – can be taken from ONS population statistics. The Government will have data on Disability Living Allowances and ONS statistics on the numbers of disabled children. Income deprivation data is available from the Indices of Deprivation, Income Deprivation Domain, published by MHCLG. Sparsity data could be used as a proxy for a "distance to schools" indicator.

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

Road length, traffic flow and concessionary travel should be included. Traffic flow data should be limited to heavy goods vehicles, as these have by far the greatest impact on the deterioration of roads.

Snow/ gritting days data in previous formulae was not updated over a long period. If this driver is to be included it ought to be based on data that can be updated. If it is found to produce marginal differences between authorities it could be excluded.

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?

Road length and data on the number of kilometres driven by HGVs are available from the Department for Transport's road traffic statistics.

Rather than bus boardings, or average concessionary journey data, the number of older people and other potential concessionary travel users could be used, to capture unmet as well as met need.

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

Population and rurality are the most suitable cost drivers.

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

Population and rurality data from the "common cost drivers" data set.

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

These are important cost drivers for waste collection costs. In relation to waste disposal services the Council would suggest the following additional drivers:

- housing density (could replace travel times) – it is more expensive to provide services (including household waste and recycling centres (HWRC) and transfer infrastructure) in less densely populated areas. As an example of this, the Council provides 14 HWRC for 287,880 households and the Leicester City Council provides 2 HWRC for around 130,000 households due to shorter travel distances.
- Whilst the Council acknowledges the link between recycling rates and street cleansing costs with deprivation, in more prosperous areas total waste arisings tend to be higher as well as total tonnage of recycling increasing the overall costs of managing waste. In addition, overall waste arisings are affected by the health of the economy as a whole, for example waste arisings fell during the recession. This supports the link between prosperity and total waste production.

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?

As above, housing density is likely to be a more transparent / easily accessible measure than travel times.

Although the index of multiple deprivation is a useful indicator, the relationships are complex and likely to be non-linear.

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

Not applicable to the County Council.

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?

Not applicable to the County Council.

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

Yes, outstanding debt and interest rates are the key drivers.

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?

Data held by MHCLG from previous Settlements would appear to be the most suitable data set for this purpose.

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

Previous formulae have included an Environmental, Protective and Cultural Services block. Presumably these services will be reflected in the “foundation formula”.

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?

The common cost drivers – population, rurality, deprivation and area cost adjustment – are key cost drivers.

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

The consultation states that control totals will have to be constrained to the level of funding available through the Settlement. The Council believes that it will be very difficult to achieve the necessary level of change without new money coming into the system. The Government will need to look seriously as to how this can be achieved given the extremely challenging national fiscal position.

The weighting of different funding formulas should be based on current national spend on these core services and trend analysis and forecasts of the pressures local government will face in future years. Increasing demand pressures on Children’s and Adult Social Care in particular need to be taken into account.

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

The Government should not rely on regressions based on actual spending by individual authorities. Low funded authorities such as the County Council have had to live within their means for many years and low government funding has driven low spending. Authorities receiving more generous funding, particularly in London, have been able to spend at higher levels and also charge relatively less in council tax (and other fees and charges) as a consequence.

The focus should be on deriving a reasonable set of weightings for the overall allocation of funding to individual cost drivers using a combination of statistical techniques, which are then applied in detail to the data for each authority.

Regardless of the techniques used, the draft results of the formula should be “sense checked” to ensure that the distribution (on a per head basis) looks reasonable and avoids the unfairness of the current Settlement. This sense check should involve sector ‘experts’.

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.

Until the options are taken further and exemplifications are available it is not possible to assess any clear implications in general or for persons who share a protected characteristic. A fairer funding allocation for Leicestershire will be of benefit to the general population of the County.

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