

Consultation: A review of local authorities' needs and resources**Response from Leicestershire County Council**

The County Council welcomes the opportunity to respond to the above consultation. As the lowest funded County Council, Leicestershire is keenly interested in this review and the consultation on Business Rates Retention Reform.

We believe that the fair funding review is making good progress and are pleased that the Government recognises it must fix 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 2019/20 and the level of funding Leicestershire would receive if it had the equivalent spending power. To compare unitaries and counties, adjustments for fire and districts have been included. The only conclusion that can be drawn is the system is broken and creates inequality between areas.

Spending Power Comparison

Authority	Spending Power per head in 2019/20	Extra Funding Leicestershire would receive if it had the same spending power
Islington	£1,128	£295m
Westminster	£1,013	£215m
Surrey	£848	£101m
Oxfordshire	£779	£53m
Northamptonshire	£715	£9m
Leicestershire	£702	

Members and officers of the County Council have been engaged with Government Ministers and officials over the past couple of years, both in terms of exploring the shortcomings of the current funding system and in regard to proposing a relatively simpler funding model. Many of the aspects of that work are reflected in the proposals put forward in this consultation and are warmly welcomed.

However, much work remains to be done and until the outcome is seen in terms of provisional exemplified figures, hopefully in a further consultation in the summer of this year, the County Council must apply a degree of caution.

The work on the Fair Funding Review will be undermined if the Comprehensive Spending Review does not provide a realistic level of resources for local government.

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 County Council welcomes the general approach that is being taken towards a needs assessment that is simpler and more transparent, and which should lead to a fairer allocation of funding. The County Council has found through its own research that the key drivers of expenditure can be expressed in significantly fewer indicators than used in the current formulae, so the proposed reduction in the number of indicators is welcomed. Many of the key indicators in the proposal chime with the findings of the County Council, especially a focus on population data.

The approach to the foundation formula is supported.

The County Council is in broad agreement with the number and range of service-specific formulae. However, there are a few concerns:

- **Adult Social Care.** The County Council's research found that the number of key indicators was much narrower than outlined in the consultation. Spending on Older People is driven by population aged 80+ and income deprivation among older people and Younger Adults spend is driven by the number of disabled adults. The table summarising the proposed formulae appears to exclude the **number** of older people entirely, other than, oddly, referring to "the number of home owner households (outright ownership only) aged 65 and over". As Adult Social Care accounts for around 40% of shire county expenditure, the County Council is very wary of the outcome of this formula.
- **Children and Young People's Services.** The lack of any cost drivers makes it difficult to comment on this particular formula. As around 22% of shire county expenditure is incurred on these services the County Council is again keenly interested in the outcome of this formula.
- **Highways Maintenance.** While the County Council welcomes the move to simplify the formula, our own research showed that the traffic flow per km of heavy goods vehicles is one of the main drivers of highways maintenance expenditure.

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

As a non –Fire authority, the County Council has no comment on this issue.

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

The County Council agrees with the proposal to include Concessionary Travel in the Foundation Formula.

The County Council recognises that the inclusion of home to school transport in the foundation formula will negatively impact on the Council's resources. The Council is willing to accept this position given the need for simplicity.

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

The County Council supports the proposed changes to the Area Cost Adjustment, subject to the levels of weighting that are applied in its use in the formulae. The ACA has historically been too heavily weighted and has distorted the allocations of funding unfairly.

The ACA weightings are important. In deciding weightings the MHCLG need to take account of the fact that the price of many goods and services purchased by authorities is not determined by a 'local' market. For many goods and services the market can be national or indeed international. The price of energy is an example as is the cost of some 'looked after children' who are placed outside of a local authority's geographical area. The same could be said for back office services which are increasingly located in the most cost effective place.

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?

Yes, the Government should continue to take account of these issues. Authorities have no control over these issues and it would be unfair to effectively deduct them from an authority's funding allocation. Data can be captured from the annual Council Tax Base returns made each autumn.

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?

The County Council supports the option suggested whereby the Government assumes that each local authority makes the full discount available for empty homes and second homes, and that no council applies the empty home premium. There should be no penalisation of those authorities that have used discretionary discounts and exemptions to help manage their local housing economy.

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?

The County Council agrees with the principle that the Government should take account of the income foregone due to local council tax support for working age people, i.e. that the tax base used for the assessment of resources should reflect those reductions. Given the range of levels of council tax support granted across

authorities, the Government will need to determine an appropriate assumed rate of support that does not significantly reward or penalise local decisions.

In two tier areas there is a real difficulty as District Councils have control over discounts and exemptions including council tax support for working age people. In the design of the new system MHCLG could consider how to ensure County Councils are either insulated from District Council decisions or can have appropriate control given the vast majority of Council tax is for County Council services.

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?

Yes, the County Council strongly supports the use of a notional approach to council tax levels in the resources adjustment. Previous forms of funding formulae used the concept of notional council tax and the treatment should be reintroduced.

The notional council tax could be based on the current average council tax level across all authorities, uplifted for the general increase allowed under the referendum rules (if they still apply).

The alternative of using actual council tax levels is unfair. Areas with very low council tax levels, particularly inner London boroughs, have been over-funded for many years, and generally have access to very high levels of car parking income too. Other areas, including County Councils in particular, have been under-funded and have increased council tax levels to much higher levels in a bid to compensate. Using actual council tax levels in the resources adjustment effectively penalises those authorities over again.

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

The County Council supports having a consistent collection rate assumption when calculating the notional council tax for each authority. Authorities should not have the perverse incentive that poor collection performance could be rewarded by more Government funding.

In two tier areas County Councils have no control over collection rates and are dependent on the performance of the District Councils.

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

The proposal to calculate the average share in council tax receipts in multi-tier areas between the shire county precept, shire district element and fire element (where appropriate) appears to be a reasonable approach to this issue.

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?

The County Council agrees with this approach.

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

The County Council understands the technical difficulties of including sales, fees and charges. However, given the extra benefit other classes of authority receive from this income, the Council believes that it should be included in the relative resources adjustment.

It is however noted that certain elements of income are discretionary while others relate to regulatory controls.

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?

The County Council supports the inclusion of surplus parking income when assessing the resources available to local authorities. London authorities in particular, and other urban areas to a lesser extent, receive considerable sums of income from this source, which is not available on the same scale to more rural authorities. It is likely that that additional income is part of the explanation for many London authorities having very low council tax levels and could be regarded as a "stealth tax".

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

Yes, the county council agrees with the proposed principles to be applied in designing the necessary transitional arrangements: stability, transparency, time-limited and flexibility.

After being amongst the lowest funded authorities for many years, the County Council hopes that the transitional arrangements can be made to function appropriately, and that any gains from the Fair Funding review for the Council are received within a reasonable timescale of say 2 to 4 years.

Many other low funded authorities are reporting severe financial difficulties and a transitional process that effectively slows any gains to a dripping tap will put them at risk of financial failure.

The council tax referendum limits will need to be considered, to allow for the relatively low levels of council tax in some parts of the country, particularly Inner London, to be increased to align with those in the majority of the country.

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

The County Council agrees with the starting point suggested of the funding available to each local authority in 2019-20, adjusted as appropriate for changes that may be made regarding business rates retention and the addition of specific grants, e.g. Public Health grant.

Any new responsibilities that are assigned to local authorities need to be notified as soon as possible, need to be fully reflected at the appropriate expenditure levels and fully funded.

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.

The County Council hopes that the Fair Funding review will result in a fairer distribution of funding for the people of Leicestershire, which will be of benefit to all residents, especially those who are particularly reliant on the services of the local authority.