



Fair Funding Review: a review of relative needs and resources

Submitted by Simon Neilson, ADEPT President 2017/18

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Thank you for the opportunity to respond to this consultation. This submission is on behalf of The Association of Directors of Environment, Economy, Planning and Transport (ADEPT), which represents Place directors from county, unitary and metropolitan authorities, along with Local Enterprise Partnerships and corporate partners drawn from key service sectors. ADEPT members are at the very heart of maximising sustainable growth in communities throughout the UK. We are delivering the projects that are key to unlocking broader economic success and creating more resilient communities, economies and infrastructure. ADEPT is a membership based, voluntary organisation with 70 local authority, 13 LEP and 15 corporate partner members across England.

Our responses to the specific questions raised in the consultation are below, we would also like to highlight the following general points.

One of the themes of my Presidential year is to ‘make the case for place’ and it is regrettable with the current financial outlook for local government that we are often faced with difficult local choices which we know will be to the detriment of our long term prosperity. We are hopeful that the fair funding review can start to address the invidious choices faced by our politicians and senior officers by making more money available and the system for its allocation much simpler.

Whilst this is a technical consultation, it is important to reflect our daily experience: that without sufficient money in the system we cannot tend to our places and grow them.

We will not see prosperous places, places creating jobs, seeing development, experiencing regeneration, enjoying good transport connections, with appropriate waste services, planning services, parks, open spaces, leisure and cultural services without appropriate funding.

Malnourished things do not grow well.

People’s quality of life will not improve.

We will not deliver the Industrial Strategy.

Nor will we build the scale of housing this country so desperately needs.

We need the private sector to flourish on the back of well-planned and well maintained public infrastructure – and for that private sector to create the wealth and taxes by which we can afford to invest in local services. A virtuous cycle of success.

While any new system needs to be fair and needs based, ADEPT calls for a much more powerful and explicit financial link between the growth of local economies and the funds used to sustain the very public services underpinning those local economies. Any future changes need to be careful to avoid

perverse incentives and of course pay attention to the proper allocation of any ‘growth’ derived incentives in two-tier areas, for example New Homes Bonus or its equivalent. But the value of the Fair Funding Review will be limited if the total amount of funding available for local government remains the same or declines yet further. Since 2011, funding allocations to local government have required local authorities to deliver savings which inevitably result in cuts to service delivery. An example of this is highlighted in research by the Campaign for Better Transport which found that in 2015-16, 63% of local authorities had cut funding for bus services, whilst 44% had removed or withdrawn services[1]. At a national level, local authorities are experiencing particular sustained ongoing cost pressures in Adult and Children’s Social Care. If adequate funding is not provided for these cost pressures, then continued cuts to local government services across all areas of activity are inevitable.

Any transfer of responsibilities to local government following the Fair Funding Review must be fully funded. Local government has been expected to meet unfunded additional financial pressures arising directly from Government policy. The National Living Wage is an example of this and has had a considerable impact on the cost of providing services. Similarly, the Government has recently indicated a relaxation of the public sector pay cap. The national position adopted by the Government puts pressure on local authority pay negotiations and it is essential that the Government recognises this and provides adequate funding for local services. Therefore the Fair Funding Review should consider not how best to distribute the current unsustainable envelope of funding, but the actual costs local authorities face in order to ensure that vital local statutory services, relied on by both residents and businesses, are fully funded.

We do not believe historic spend should be a key driver for new funding allocations. Historic spend reflects past settlement allocations and would simply perpetuate historic spending patterns. Local authorities will soon no longer be able to fund statutory service delivery if historic spending levels continue.

Recent settlements have provided no new recurring funding from central government but made assumptions about raising available council tax within the increased referendum limit. If this policy continues further pressure will be placed on local taxpayers.

ADEPT hopes that these issues will be addressed through the Fair Funding Review. Specific responses to consultation questions are included below.

Q1. 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?

We broadly agree with the principle of seeking to implement a simpler formula, however this will increase the need to ensure that data is robust, up to date, and accurate. In addition it is important that the system is not simple at the cost of being fair. Transparency should be a key criteria for the system. As should certainty, in order that we can plan budgets with reasonable accuracy

Q2. 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?

Yes. The makeup of the population is a key driver of local authority costs and so we would support any use of projections using size and age structure. Official population projections would appear to be a reasonable statistic to use. The formula should not solely reflect percentage increases when

looking at population data, as that does not reflect fairly on those with a relatively higher starting point. We would suggest it would also be important to consider including an adjustment for mortality rates and life expectancy.

Q3. Do you agree that these population projections should not be updated until the relative needs assessment is refreshed?

Given the significance of population within the formulas, we believe the discrepancy between population forecasts and actual population changes should be monitored in future to determine how often updates might be needed. Longer periods between refreshes would risk data being out of date and not reflecting needs accurately, whereas shorter periods might lead to greater variations in funding levels. An appropriate balance needs to be found.

Q4. Do you agree that rurality should be included in the relative needs assessment as a common cost driver?

ADEPT represent a number of bodies with a variety of interests from across the country, including a mix of rural and urban areas. We therefore do not feel it appropriate to comment in detail on this question and instead would ask Government to consider the responses of our individual members. With that said, as a point of principle the funding formula should include all those factors which represent significant cost drivers for local authorities.

Q5. 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?

ADEPT represent a number of bodies with a variety of interests from across the country. We therefore do not feel it appropriate to comment on this question and instead would ask Government to consider the responses of our individual members.

Q6. Do you agree that deprivation should be included in the relative needs assessment as a common cost driver?

Yes, it remains appropriate to recognise deprivation as a common cost driver. However we would also ask Government to consider the responses of our individual members on this question.

Q7. 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?

We have concerns that given the review of IMD due to conclude in summer 2019, there will be little time to fully understand the impact of the changes to the indices and what the implications would be for the relative needs assessment.

Q8. 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?

Other common cost drivers relevant to the range of services covered by ADEPT might include:

- Overnight visitors
- Daytime population

- Flooding, coast protection, environment agencies and other RNFs
- Concessionary travel – eligible boardings

We would also ask Government to consider the responses of our individual members on this question.

Q9. Do you have views on the approach the Government should take to Area Cost Adjustments?

ADEPT represent a number of bodies with a variety of interests from across the country. We therefore do not feel it appropriate to comment on this question and instead would ask Government to consider the responses of our individual members.

Q10. 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? Which services do you think are most significant here?

As a matter of principle, and given that this is a review of needs and resources, it would appear appropriate to seek to consider all areas of funding need, and particularly when these are significant, even if only for a relatively small number of authorities. We would reiterate the view that more funding is needed nationally to meet existing service demands, or changes to local government statutory responsibilities will be required to enable local authorities to continue to operate within the available funding.

Q11. Do you agree the cost drivers set out above are the key cost drivers affecting adult social care services? 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?

ADEPT do not have a specific view on the funding of adult social care services, but believe that any proposed cost drivers providing a more complete picture of the factors driving net cost should be used in determining funding for any service.

Q12. Do you agree that these are the key cost drivers affecting children's services? Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting children's services?

ADEPT do not have a specific view on the funding of children's services, but believe that any proposed cost drivers providing a more complete picture of the factors driving net cost should be used in determining funding for any service.

Q13. Do you agree that these are the key cost drivers affecting routine highways maintenance and concessionary travel services? 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?

We agree with the cost drivers outlined within the consultation, however would add that:

- Not only are forecast snow days an important indicator, but general weather conditions i.e. rain can have a significant impact on highways in relation to flooding and general road condition.

- Some authorities may have a higher proportion of non-Highways Agency roads to be maintained.
- There is an impact for areas subject to increased flooding in terms of road maintenance.

Whilst we agree that bus boardings are a cost driver for concessionary travel, it would be important to base any funding on numbers of eligible people, looking at population profiles. Some areas have a high number of elderly people and a higher than average number of elderly tourists. Historically these areas have found funding received for concessionary fares to be significantly less than the amount paid to reimburse operators for journeys made.

We believe that Highways Maintenance RNF should be given more relative weight within the formula to recognise the role it plays in maximising sustainable growth in the economy.

Q14. Do you have views on what the most suitable cost drivers for local bus support are? Do you have views on what the most suitable data sets are to measure the cost drivers for local bus support?

Deprivation is a key cost driver for local bus support, as is access to vehicles, and the numbers of people living in a rural location.

Q15. Do you agree that these are the key cost drivers affecting waste collection and disposal services? 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?

We agree with the key cost drivers. We note that the travel times cost driver appears to be focused at collection authorities, but this could apply to upper tier authorities also in relation to Household Waste Recycling Centres and disposal contracts that require a significant element for haulage costs.

Q16. Do you agree these remain the key drivers affecting the cost of delivering fire and rescue services? Do you have views on which other data sets might be more suitable to measure the cost drivers for fire and rescue services?

We agree that these are still the key drivers of delivering fire and rescue services.

However a direct allocation and consideration of water/flood prevention and response needs to be factored in for those areas most at risk, as coastline is not the only measure for flood risk, for example waterways / lengths of river etc. are also factors.

Increased emphasis needs to be built in for Community Safety and prevention work if further progress in these areas is to be maintained and improved.

Q17. Do you agree these are the key cost drivers affecting the cost of legacy capital financing? Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting legacy capital financing?

Yes. Weighted Average historic PWLB loan rates for period over which supported borrowing took place would be a suitable data set.

Q18. Are there other service areas you think require a more specific funding formula? 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?

Funding for Emergency Planning services need to be given adequate weight within the new formula.

Q19. How do you think the Government should decide on the weights of different funding formulas?

ADEPT represent a number of bodies with a variety of interests from across the country. We therefore do not feel it appropriate to comment on this question and instead would ask Government to consider the responses of our individual members.

Q20. Do you have views about which statistical techniques the Government should consider when deciding how to weight individual cost drivers?

The need for the Fair Funding Review indicates that past funding allocations have not been fair. If possible, we would support any move away from statistical techniques that use historic spending as a dependent variable. The existence of damping and use of past spending as a dependent variable has locked some local authorities into unfair funding allocations. Any movement away from this will help local authorities deliver sustainable services in the future.

Principles to consider when deciding which techniques to use are:

- Ease of data collection
- Analytical robustness
- Transparency

Complexity in this area is probably unavoidable and in that respect methods should not be chosen simply on the basis of simplicity.

Q21. 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.

Local authorities will have been undertaking equality impact assessments of their annual budget proposals, in accordance with the requirements of the Equality Act 2010. We would therefore encourage the Government to consider the specific responses of individual members to this question.

We hope that the outcome of the Fair Funding Review leads to funding allocations that will allow all local authorities to deliver sustainable services to all residents in their communities.