

DRAFT RESPONSE SERVICE

As part of the Rural Opportunities Bulletin, RSN will regularly provide concise potential responses to key current consultations. These are not intended to be definitive or to reflect the views of RSN and may include potentially opposing responses to reflect different views designed to assist individual organisations in compiling their own response. We do however recognise the pressure members are under and we hope this service will assist.

Fair funding review: a review of relative needs and resources – Ministry of Housing, Communities & Local Government consultation

The fair funding review is intended to set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources, using the best available evidence.

The government are considering a wide range of options for developing an updated funding formula by looking again at the factors that drive costs for local authorities.

This consultation focuses specifically on potential approaches that have been identified to measure the relative needs of local authorities.

This consultation closes on 12 March 2018.

<https://www.gov.uk/government/consultations/fair-funding-review-a-review-of-relative-needs-and-resources>

The proposed RSN response to this consultation is as follows:

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?*

On the whole we SUPPORT the Government's proposals to simplify the relative needs assessment by focussing on the most important cost drivers and reducing the number of formulas.

However, we note that this consultation does not touch on either the resources block or the central allocation block. We have long expressed the view that the outcomes of the existing formula model are unfair on rural areas and whilst we agree with the simplification of the existing mechanism, we await consultation on the resources block in order to assess the overall impact of the fair funding review.

Of particular concern is that there is no mention of the central allocation block. As this formerly distributed funding on a per capita basis, it seems clear that if this was to be removed with all funding being made via needs and resources (and damping) then the current needs formulae would result in significant redistribution from rural areas, a move which we would clearly not support.

We seek clarification, therefore, as to the plans for the central allocation block. We also call for greater clarity on the Government's plans for setting the relative weights between the blocks.

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?*

We SUPPORT the use of official population projections and would support any mechanism which is capable of fairly reflecting underlying changes in population so that they are recognised as soon as practicably possible in funding allocations.

We feel that the lack of dynamism in the current system combined with historic low funding of rural areas has contributed increasing financial fragility of local authorities in rural areas.

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

We would SUPPORT any move that provided reliable and updated population figures to be included in the 2020/21 Settlement.

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

We STRONGLY SUPPORT the inclusion of rurality as a common cost driver.

We agree with the assertion in the consultation document that the alterations in weightings for sparsity for 2013/14 'may have only partially reflected the challenges faced in delivering some services in rural areas'.

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?*

We recognise past difficulties in finding a measure which adequately reflects rurality. However we do feel that the existing sparsity measure provides a good proxy for rurality particularly in terms of measuring potential time loss through travel.

That is not to say that there may not be further potential measures for rurality. We have undertaken reviews in the past which have shown significant cost penalties for provision of services in rural areas associated with 'lost' travel time but these have been deemed too limited to meet MHCLG statistical criteria.

We feel that this is an important cost driver, deserving of further work to establish the additional cost of delivering services to rural areas and if this cannot be undertaken then an increase to the weight of the sparsity indicator should be used.

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

We agree that deprivation should be included in the relative needs assessment as a common cost driver. However, in terms of a foundation formula we would make the following points:

- We feel that only some of the services, such as housing and homelessness, intended for inclusion in the foundation formula correlate to deprivation. We do not feel that many foundation formula services correlate to deprivation and we would want to ensure that deprivation is not overstated in the foundation formula
- We agree that deprivation measure are currently too narrowly focussed around benefits take-up and would STRONGLY SUPPORT a wider definition of deprivation as proposed with IMD. We would also make the point that low wages rarely feature as a measure of deprivation and many rural areas suffer from low wages and high living costs which are not factored into needs formulae.

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?*

We STRONGLY SUPPORT a greater focus on Index of Multiple Deprivation measures in terms of giving a less one dimensional view of deprivation as is the case with existing formulae.

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?*

We feel that the Fixed Cost sum currently included in the Mixed Costs RNF but not mentioned in the consultation should form part of the Foundation Formula. Although not significant in terms of the whole formula, these amounts are significant for the smallest local authorities, many of which are in rural areas.

Otherwise, we do not feel that there are other common cost drivers though we point to our response to question 10 in respect of some services such as drainage board levies which are specific to a small number of authorities.

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

Generally, we understand the concept of Area Cost Adjustments. However, we would make the following points:

- We feel that there is no reflection for the additional costs which are sometimes prevalent in rural areas associated with imperfect market conditions where labour costs might be inflated due to low supply
- We feel that some of the indicators in the present formula overstate the needs in urban areas and as ACA is multiplicative in nature these overstatements are further increased when ACA is applied.

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?*

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

We support the concept of identifying specific expenditures which are limited to a small number of authorities.

We feel that Drainage Board Levies fall into this category.

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

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?*

We SUPPORT the Government's thinking set out in the consultation paper, particularly in respect of the focus on means testing and higher levels of impairment. We feel that the existing proxies for deprivation are too narrowly focussed around income deprivation, particularly benefits rates.

We particularly SUPPORT sparsity as a key cost driver but feel that the existing weighting understates the costs of providing adult social care services in rural areas.

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

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?*

We SUPPORT the Government's thinking set out in the consultation paper and note the additional work to be undertaken on Children's Services.

We feel that the existing indicators for deprivation are too narrowly focussed around income deprivation, particularly benefit rates, and would welcome investigation of other cost drivers for Children's Services

We feel that the sparsity indicator should be considered for Children's Social Care as home to establishment transport costs more in rural areas.

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

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?*

We agree with the highways maintenance cost drivers.

We do not feel that the concessionary travel services cost driver is appropriate. When LGF undertook their work on sparsity and rurality, concessionary travel had the strongest negative correlation between sparsity and expenditure. We believe that this is a prime example of 'unmet need' – bus boardings in rural areas are so low because there simply aren't many busses to board! This is due to historic low levels of funding resulting in low or no support resulting in low or no bus service provision. We therefore STRONGLY DISAGREE with the existing formula.

We would propose that the Access to Services index from the Indices of Multiple Deprivation be used to measure need for concessionary travel and for bus support. (Question 14).

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

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

We would propose that the Access to Services index from the Indices of Multiple Deprivation be used to measure need for concessionary travel and for bus support.

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

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?*

We DO NOT SUPPORT the proposal that deprivation is a key cost driver for waste collection and disposal services. We would be interested to see the empirical evidence for the link between deprivation and lower likelihood to recycle. In any case, we believe that recycling and waste collection/disposal should be considered together and that seeking only cost drivers for waste collection and disposal may create a perverse incentive against recycling which is at odds with the Government's environmental agenda.

We struggle to understand a correlation between deprivation and dog fouling.

We do feel that travel times, types of property and number of households are all key cost drivers.

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

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?*

Whilst we feel that the cost drivers are correct, we are of the view that the sparsity indicator is significantly under-weighted. The reductions to fire funding in rural areas have had a profound impact on service where reliance on retained staff is so important. Without an improved recognition of sparsity, we feel that fire and rescue provision and response to the most rural areas of England will be drastically reduced.

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

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?*

We do not have any views on this question.

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

We do not feel that there are any other services which require a more specific funding formula.

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

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

We are pleased that the Government has recognised some of the limitations with multiple regression modelling, particularly the circular 'baking in' of past funding patterns. Whilst we accept that regression modelling is a necessary part of the system, we feel that the Government should be prepared to use other statistical techniques as appropriate and also be prepared to use 'informed expert judgement' as proposed by the Society of County Treasurers at the January 2018 Technical Working Group.

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.*

We have no comments in respect of this question.