



worcestershire
countycouncil

Local Government Finance Settlement Team
Ministry of Housing, Communities and Local Government
2nd Floor SE, Fry Building
2 Marsham Street
LONDON
SW1P 4DF

12 March 2018

Dear Sir

Fair Funding Review: a review of relative needs and resources

Worcestershire County Council (the Council) welcomes the opportunity to respond to the Fair Funding Review and strongly supports the introduction of a fair funding system to make positive changes to the funding regime.

The Council's key principles that Government should bear in mind when designing the new system including greater local retention of business rates income are:-

- **Fairness.** All local authorities should be given the same powers and their funding should take account of need as a first call against growth in business rates income.
- **Ability to shape eligibility criteria to support local need.** All new responsibilities devolved to local government should come with the ability to shape the criteria which will form part of existing robust local accountability through annual approval of budgets

This covering letter outlines a number of general considerations and then provides more detailed responses to each of the consultation questions.

The Council believes that the overarching principle of fairness cannot be achieved without addressing the widely accepted shortfall in Local Government funding and measures taken to increase the value of the quantum that is available to support vital local government services.

Redistribution of the existing quantum through this fairer funding review consultation process is needed quickly as there is little correlation between funding and relative need in the current system. The Council continues to face funding pressures arising from adults and children's social care demographic

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changes, exacerbated by an ageing population, and other significant service pressures such as the impact of the National Living Wage increases which are not fully funded through the existing system, and would urge Government to consider bringing forward transitional arrangements as soon as possible.

It is vital that the formula should be forward looking to take account of future service needs and reflect both current and future local government responsibilities.

Backward looking regression analysis should be avoided to assess funding needs as this may reflect previous Government funding decisions and may not reflect a future need to spend.

Transitional arrangements need to be in place to ensure stability and to allow local authorities adequate time to reshape services in consultation with local residents in order to align spending to a new funding regime.

Whilst it is noted that negative Revenue Support Grant will be the subject of a future consultation, Worcestershire County Council is scheduled to repay £0.75 million to Central Government each year from 2019/20 and would urge the implementation of transitional funding to protect those Councils most affected.

The County Council is currently funded at least £4 million less than the Government's own assessment of need which was last established in 2013/14 and held back through a damping mechanism which has since been locked in to financial settlements.

Currently, the County Council is unfairly penalised in that it does not receive an Area Cost Adjustment (ACA) factor within its baseline funding level despite having similar pay, housing and labour market influences as neighbouring authorities who do receive this adjustment.

The omission of Area Cost Adjustment in Worcestershire's funding forces consideration of a different level of service to our own residents, contributing to an inequality when the services they receive are compared with the equivalent in the neighbouring authorities who receive ACA.

Whilst the Council recognises that the Government's aim is to increase the local share of business rates retention to 75% in 2020/21 instead of 100%, the Council urges Government not to transfer additional responsibilities or remove existing grants to local government. The Council would also urge Government to be more ambitious and deliver a much greater percentage local share of business rates retention by 2020/21.

The County Council fully supports the responses by the County Council Network, the Society of County Treasurers and the detailed work undertaken by Leicestershire County Council, and this response should be read alongside those.

Yours sincerely

A handwritten signature in cursive script that reads "Adrian Hardman".A single horizontal line drawn below the signature.

Adrian Hardman
Deputy Leader of the Council

**Fair Funding Review: a review of relative needs and resources
Technical consultation on relative need - December 2017**

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 these proposals and agrees that a simple process is required. The formula should be fair and transparent in the first instance, with a reduction in the number of formulas involved to support these principles. Authorities should be funded on a per capita / cost driver basis first before any considerations are made for local top-ups which should be clearly evidenced.

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?

Yes.

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

The Council believes that these population projections should be updated every 4 years to balance funding for increasing demands with maintaining financial planning stability. This should be regularly and fully incorporated into the funding formula to ensure funding reflects the change in demand on services.

The Government should consider the impact on mortality rates and life expectancy when population projections are utilised in the funding formula.

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

Yes.

Additional consideration should be made to recognise funding increases for small areas of rurality, which many County Councils will have within their 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?

In principle, where rurality increases demand, this should be addressed in the needs formula, but where it increases costs this should be addressed through specific sparsity allocations.

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

Yes, and specifically income deprivation should be included as this influences the demand for council services

Government should consider including rural deprivation (lack of social housing, car dependency, poor public transport, reduced or lack of easy access to health and social services) in the formula, including where this impacts on small areas within a county boundary rather than being 'averaged out' across the county area.

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 relative needs assessment should use the relevant components of the Index of Multiple Deprivation in the funding 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 cost drivers identified in the consultation document appear reasonable; however use of the individual components that are within the measures for population, rurality and deprivation should take account of specific local issues.

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

The Area Cost Adjustments should be limited to differences in unit costs and not differences in demand.

Currently, Worcestershire County Council is unfairly penalised in that it does not receive an ACA factor within its baseline funding level which is based on the former four block funding model and estimated at since that time in 2003/04 receives around £10 million pounds less in annual funding for service provision as a result. Worcestershire's pay scales are similar to neighbouring authorities, has comparable house prices and its labour market is equally affected by its proximity to Birmingham as other neighbouring authorities who receive ACA, and yet despite this, Worcestershire continues to not receive ACA.

The omission of ACA in Worcestershire's funding forces consideration of a different level of service to our own residents, contributing to an inequality when the services they receive are compared with the equivalent in the neighbouring authorities who receive ACA.

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?

Worcestershire's geography makes it susceptible to flooding and consideration should be made to include needs that are underneath the Bellwin Scheme financial thresholds.

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

Flood Defence.

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

See 11b) below.

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?

County areas will be experiencing the fastest rate of growth in Older People over the next 15 years increasing pressure on adult social care and the NHS. This needs to be reflected and recognised in the funding formula. Any formula for distribution needs to be forward looking and reflect forecast changes in demand.

An additional cost driver should be considered around the number of learning disability clients included within forecasts since these clients commonly generate the most expensive packages that an authority has to bear over a long period of time.

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

See 12b) below

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?

Consideration should be given to including data sets such as number of care leavers receiving support, the number of children looked after per 10,000 of population, the number of children in need and the number of children on a child protection plan.

The Council considers that sparsity could influence demand for service and would support further investigation into this.

Consideration should also be given to including potential demand for SEND which extends up to the age of 25 years.

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

See 13b) below

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?

The formula should ensure that unmet need can be accommodated as well as funded need. For example measuring concessionary bus boarding data can only identify met need, and additional data sets such as the number of older people and students or the average distance to hospital/shops/colleges could be considered as cost drivers for highways maintenance and concessionary bus travel.

Account should also be taken of traffic flow as well as distance as these influence higher highway maintenance costs.

By including road kilometers travelled by HGV's this will support more accurate road maintenance allocations.

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

See response to 13b).

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

See response to 13b).

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

See 15b) below

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?

The Council agrees with these cost drivers but considers that waste tonnages should also be included.

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

N/A

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?

N/A

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

See 17b) below

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?

The Council agrees with the cost drivers but would welcome the Government taking specialist advice regarding their appropriateness and weightings.

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

See 18b) below

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?

Councils' corporate and democratic core services, which to a large extent act as semi-fixed costs, should be recognised separately in the funding formula – similar to how the Central Allocation block under the Four-Block Model used to work.

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

The Council has continued to express views and evidence through the Society of County Treasurers with regard to the increasing service demands in Children's Services, Adult Social Care and Concessionary Fares are forecast to face in the coming years. This should be fully included in the weightings of future proofed needs formulae in order to reflect the expected profile of local government service pressures.

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

Regression analysis should not be used unless there is a reliable measure of need that is not based on historic spending or activity.

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.

Local government funding should be sustainable in the future to encourage no unanticipated negative impacts on persons who share a protected characteristic.
