

Cabinet

Thursday, 14 March 2019, 10.00 am, County Hall, Worcester

Membership: Mr S E Geraghty (Chairman), Mr A T Amos, Mr A I Hardman,
Mr M J Hart, Mrs L C Hodgson, Ms K J May, Mr A P Miller,
Dr K A Pollock, Mr A C Roberts and Mr J H Smith

Agenda

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

21st February 2019

Dear Sir

**A Review of Local Authorities' Relative Needs and Resources –
Consultation**

With regards to the Review of Local Authorities' Relative Needs and Resources Consultation please find attached the response from Worcestershire County Council. I have also submitted a pro-forma.

Kind regards



Simon Geraghty

Leader of the Council

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Leader of the Council

County Hall
Spetchley Road
Worcester
WR5 2NP

Office: 01905 766678

Email: sgeraghty@worcestershire.gov.uk

Electoral Division
Riverside

A Review of Local Authorities' Relative Needs and Resources – Consultation

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 is concerned about the limited information available from which to draw an opinion and give a reasonable response – noting that there is only 10 months before the planned implementation. We have a particular concern with regard to Children's Social Care where we only have very vague information about the development of the formula. Together with Adults Social Care, these two areas make up the majority of the Council's budget and cost pressures. The Council encourages the ministry to ensure there is adequate information and time in order to respond to the proposals.

It is also extremely important to consider the distribution in conjunction with quantum. Introducing a new funding regime at a time when funding is changing is also likely to be challenging without further funds being made available for transition.

The Council is very supportive of the use of a foundation formula for universal services where the population is the primary cost driver. The decision to include a "traversal" measure in the ACA is also a welcome development – representing the additional costs of providing services in both significantly urban and significantly rural settings.

We would add that the additional costs are not always just about journey times but can also be incurred when determining service delivery locations to ensure that residents can easily access services.

Regarding the specific formulae; the Council supports individual needs formula where services are more targeted, as opposed to universal, or where population is not a key cost driver – such as highways and capital.

However, we disagree with the proposal to distribute Public Health Grant via a specific formula. The Council considers public health as a universal service, rather than one so closely targeted as social care and hence should be distributed via the foundation formula. We note that further consultation is expected on the Public health formula during 2019 so there will be an opportunity to offer further comments at that time.

With regard to Adult Social Care, the Council is pleased to see a shift away from using expenditure-based regressions as we believe that it perpetuates a situation where deprivation measures attract an unfair share of the funding.

However, we do not agree with the assumption that current utilisation is a good proxy for need as there are numerous examples and independent reports of unmet need within the current system and past funding decisions are certain to impact in the situation where a service is as under such severe demand pressures as Adult Social Care.

For example, in a report published in February 2019 by Age UK they report that they estimate nationally that over 600,000 people have had requests for social care turned down over the same period.

Ordinarily property ownership would be a proxy for wealth/income but in the case of social care it may lead to incentives not to offer care packages in clients' homes – in direct opposition to government policy.

For example, a formula which includes a measure of home-ownership could be distorted by the extent to which intensive community care is available in a given area. If it is not on offer, then in-effect a high-needs client is forced to opt for residential care, potentially resulting in an empty home that is then sold to pay for care costs. This would reduce costs for the local authority (as they become a self-funder).

However, if the intensive care package were available then the client can remain in their home, the value of which is excluded from their financial assessments. The result for the local authority is higher net costs but no change to assessed need as the number of home-owners remains unchanged.

The County Council is also concerned that deprivation/low income measures may be weighted unfairly with the continued use of a low-income adjustment in addition to the need formula, which does already capture the means test eligibility. Providing a “double count” on deprivation/low income measures may mean that the distribution resulting from the new formula will not be significantly different to the one it replaces.

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

The Council supports the principal of multi-level modelling for fire service allocations.

This would make better statistical use of available data and deal with the different governance models. We would wish to be sure that the approach does not have a perverse incentive to increase funding by allowing activity levels to rise and therefore it must be acknowledged that the current data sets are not extensive or robust enough to be used. We would therefore suggest a roll-forward of the existing allocations (adjusted for the removal of existing damping over the CSR period) for this CSR period, whilst Home Office and NFCC work together to provide valid data sets for full multi-level modelling for the future.

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

We welcome the Government's proposal to fund concessionary fares through the foundation formula – which recognises that access to transport should be a universal service. The current funding for concessionary fares is heavily slanted towards bus-boarding data and hence favours urban areas where transport networks tend to be more extensive. Allocating this funding on a per-head basis will level the playing field.

Whilst Home to School Transport is a “universal service” the eligibility criteria make it such that it becomes a greater issue in rural areas. The Ministry's consultation paper confirms that there will be a measure of rurality in the new ACA and we welcome this.

Whilst it is considered that home to school transport is a service that is less likely to follow a per head distribution we accept that the aim of the fair funding review is to implement a simpler funding formula. If additional rural costs are adequately reflected in the foundation formula or ACA then we are content that the services remain in the foundation formula.

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

The County Council supports the proposed approach to the Area Cost Adjustment, in particular the inclusion of appropriate rurality measures and labour costs.

Worcestershire has to be seen in the context of the wider geographic labour market because of the proximity of large proportions of its population to the West Midlands Metropolitan area, Warwickshire and to a lesser extent Gloucestershire. Access to these labour markets, together with actual and potential worker mobility, is the key to understanding the competitive recruitment pressures facing Worcestershire.

In the past, it was considered that of the authorities not designated to receive assistance from the Area Cost Adjustment, Worcestershire is the one most affected by commuting.

The extension of the adjustment to recognise the down-time associated with longer journeys, in both urban and rural areas, and the different service delivery models that are required to service widely dispersed communities. The additional costs associated with very rural locations is not simply and solely associated with journey times but also incurred when determining service delivery locations to ensure that residents can easily access services.

There is a need to see some more detail from Government regarding the construction of the ACA and the proposed weightings applied to each element as that will be crucial to its success in addressing these issues. For example, it would not be acceptable for the funding directed through the ACA being less than that currently being received in rural areas through the current rural services delivery grant.

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 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 Council supports the continued recognition of statutory council tax discounts and exemptions in the tax base calculations, this recognises that local authorities have no control over these discounts.

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?

Yes.

This approach should not penalise authorities that have used discretionary discounts or exemptions.

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 supports the reflection of the number of pensioners eligible for council tax support as this element is statutory.

The County Council does not support adjustments by the Government for assumed levels of support with regard to discretionary schemes operated by Council's concerning working age people. These are discretionary local matters.

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 Council supports the use of a notional council tax level in any resource adjustment.

The notional figure must be close to the national average precept to ensure local services can be adequately resourced without some tax payers getting a better deal than others.

Government has not been clear on the future policy for the ASC precept however, given the ring-fenced nature of the income, we do not feel it should be subject to a resource adjustment.

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

The Council supports the use of a consistent collection rate as it doesn't reward poor collection rates by assuming it continues in that manner.

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?

This area needs more development as it would be best to use actual council tax splits in each area but this would add complexity when considering different types of local authorities.

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?

Yes.

The Council supports the move to set the resource amount over the period between resets. It incentivises local authorities to grow their tax bases by allowing them to keep the proceeds of growth.

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

See answer to Q13.

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?

Car parking income should be taken into account where this significantly materially affects recurrent funding / spending power. This may also be the case for fees and charges. However it is a combination of the two that ought to be considered for resource calculations.

Government should consider introducing a threshold, above which income is taken into account in the calculation of resources.

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 principles of transparency, stability, time-limited and flexible are broadly supported by the Council.

Funding should be made available centrally by Government with the aim of allowing increases as soon as possible for those authorities that are to see increases in funding levels, but those seeing reductions should be protected by a smooth and predictable shift to new allocations. Ideally over a period of between three to five years, but no longer.

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

The County Council agrees with the proposals outlined in the consultation paper that it must be the funding available in 2019-20 that establishes the baseline.

However, more work is required on the definition of funding.

Conceptually, the baseline must reflect a like-for-like comparison between years, accepting that areas such as New Homes Bonus is subject to further specific consultation.

Also, as most local authorities will also have benefited from retained business rates and the part of this income that is subject to redistribution at a reset should also be included in the baseline calculations.

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.

There is likely to be an indirect potential impact on persons who share a protected characteristic as a result of funding one area more generously than other areas as this will ultimately create unfairness.

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Local Government Finance Reform
Local Government Finance Directorate
Ministry of Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

21st February 2019

Dear Sir

Business Rates Retention Reform Consultation

With regards to the Business Rates Retention Consultation please find attached the response from Worcestershire County Council. I have also submitted a pro-forma.

Kind regards



Simon Geraghty

Leader of the Council

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County Hall
Spetchley Road
Worcester
WR5 2NP

Office: 01905 766678

Email: sgeraghty@worcestershire.gov.uk

Electoral Division
Riverside

Business Rates Retention Reform Consultation

Question 1: Do you prefer a partial reset, a phased reset or a combination of the two?

The County Council believes there should be a phased reset.

Question 2: Please comment on why you think a partial/ phased reset is more desirable.

A phased reset is more desirable as this would smooth out cliff-edges / significant changes in funding thus giving local authorities more time to make appropriate plans.

Question 3: What is the optimal time period for your preferred reset type?

5 years.

A 5-year reset would provide an incentive to local authorities which can be built into business cases with a degree of certainty.

Question 4: Do you have any comment on the proposed approach to the safety net?

If the levy is reformed (raising the threshold at which levy becomes due), less income will be available to fund safety net payments and therefore a higher proportion of the safety net would need to be funded through a top-slice.

The County Council agrees the safety net threshold should be raised to compensate for an increased risk of excessive falls in business rate income. We also agree there should be a safety net to support against 'shocks to the system' and that it should be funded centrally through a top-slice. This threshold should not be decided until there is certainty of the new responsibilities that will transfer to local government.

However, the top-slice must give consideration to the 'gearing' effect of individual local authorities – and avoid circumstances where lowly geared local authorities pay for a safety net that they are unlikely to use. Neutralising the gearing effect through a calculated amendment would remove this unfairness.

Question 5: Do you agree with this approach to the reform of the levy?

The levy should only be paid on extraordinary growth.

Question 6: If so, what do you consider to be an appropriate level at which to classify growth as 'extraordinary'?

The Council is not able to provide a full answer to this question without greater knowledge of government proposals on how individual authorities' gearing would adversely affect retention of funding. That said, the Council would expect the level at which the levy would fall due ought to be closer to 110% and certainly considerably less than the minimum example of 150% quoted in the consultation.

Question 7: What should the fall-back position be for the national tier split between counties and districts, should these authorities be unable to reach an agreement?

The 'fall back' position should formally be named the 'default' position.

The County Council cannot give a complete response with regard to the national tier split as it depends on which new responsibilities are being proposed for transfer to local government, what the risks are, what the level of funding is and how the other funding implications of the proposed system will work.

The only firm view the County Council can give is that the existing tier split of 80/20 for Districts/Counties has proved to be a long way short of enabling a fair balance of risk and reward.

The County Council believes that the Government should recognise the Counties' role in enabling infrastructure investment and increase the tier split more towards the balance of gross expenditure in two-tier areas - whilst maintaining a fair level of protection for education and social care services.

Question 8: Should a two-tier area be able to set their tier splits locally?

Yes.

Worcestershire County Council along with its six district councils worked successfully to agree a unique tier split regarding our successful 75% Business Rate Retention Scheme pilot. We would seek to do the same again but recognise that a default position is required nationally for those authorities unable to agree a local tier split.

Question 9: What fiscally neutral measures could be used to incentivise pooling within the reformed system?

Pools should be established on merit and should need little or no incentivisation from Central Government.

The Council disagrees with the use of any incentives and that not fiscally neutral, or promote one area of local government over another, or in particular where they may be used to promote the move to elected mayors.

Question 10: On applying the criteria outlined in Annex A, are there any hereditaments which you believe should be listed in the central list? Please identify these hereditaments by name and location.

No.

Question 11: On applying the criteria outlined in Annex A, are there any listed in the central list which you believe should be listed in a local list? Please identify these hereditaments by name and location.

No.

Question 12: Do you agree that the use of a proxy provides an appropriate mechanism to calculate the compensation due to local authorities to losses resulting from valuation change?

Yes.

Question 13: Do you believe that the Government should implement the proposed reform to the administration of the business rates retention system?

The County Council supports the proposed reform in principle but recognises that there is still much detail still to confirm.

Question 14: What are your views on the approach to resetting Business Rates Baselines?

The reset in 2020-21 should be based on 2018-19 NNDR3s.

Question 15: 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.

No.

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