

Review of Local Authorities' Relative Needs and Resources Consultation

Summary

To advise Executive on a response to the Consultation on the a Review of Local Authorities' Relative Needs and Resources

Portfolio - Finance

Date signed off: 11 February 2019

Wards Affected

Not applicable

RECOMMENDATION

The Executive is advised to RESOLVE to:

- (i) **NOTE and COMMENT** on the proposed Consultation response;
- (ii) **DELEGATE** to the Chief Executive in consultation with the Leader the completion and submission of the final consultation response

1. Resource Implications

- 1.1 For a while the Government has been looking in to changing the way funding is allocated between Local Authorities. The current methodology was first introduced 10 years ago and last updated in 2013/14. Hence a Council's base "Need" has not been recalculated since then.
- 1.2 This review, also called the "Fair funding" review will set the baseline funding level (relative needs less relative resources) that Councils can expect to get from the new Business Rates system. Currently Surrey Heath's baseline funding is £1.543m however this could change significantly as a result of this review. Unfortunately individual council exemplifications showing the impact of the proposals have not been provided so it is not possible to say with any certainty what the impact will be. However it is likely that the "negative grant" that was not implemented this year may well be brought back albeit under the guise of this review.
- 1.3 It is important to understand that this paper calculates a Council's *relative* needs to other Councils and not its *absolute* needs. It is therefore a formula to determine how the cake is divided rather than determining whether the cake is actually large enough. Hence although there will be individual winners and losers from this new formula there will at the moment be no additional money for local government as a whole.

2. Key Issues

- 2.1 The Government has stated that it wishes to "simplify" the way the *relative needs* are calculated in order to make it more transparent. Whilst this is generally a good idea it does mean that some Council with specific local needs may be

disadvantaged. Under the proposals all Districts would qualify for a “foundation” element that would basically be awarded on a per capita basis. This would be subject to an “Area cost adjustment” which takes account of the different premises and wages costs around the country. There would be no adjustments for Deprivation or rurality, as is currently the case, since these were not major drivers of cost in the services Districts provide. This “Foundation” payment would cover waste, environment, Homelessness, Sports and central services.

- 2.2 Whilst not directly impacting Surrey Heath the formulas for adult and children's Social care, public health and highways will be much more complex. These will take in to account demographics, depreciation, no on benefits, mortality ratios, traffic flows and road lengths amongst other things. The Government has also said that they would divide the total funding between all councils and services possibly on the basis of expenditure based regression updated for future demographic and population changes. This could result in the upper tier authorities needs being much higher than at present thereby reducing the funding available for lower tier authorities.
- 2.3 Once a Council's **relative needs** have been calculated this will then be reduced by the **relative resources** calculation. This basically makes a deduction to take account of the fact that it is easier for some Councils to raise income locally compared to others. i.e. different tax bases, council tax, council tax discounts, collection rates etc.
- 2.4 The Government has asked for comments on its proposals and methodology through a number of consultation questions. A recommended response is attached to this paper.
- 2.5 The consultation commenced on the 13th December 2018 and ends on the 21st February 2019 with the new system coming in 2020/21.

3. Risk Management

- 3.1 No issues form this paper although the Government's proposals do increase funding risk to the Council.

4. Equalities Implications

None from this paper but loss of funding for the Council could result in loss of services and impact disproportionately those people with protected characteristics, such as the elderly, since they are the greatest users of services.

5. Options

- 5.1 The Executive can decide to amend the consultation or not respond

6. Proposals

- 6.1 It is proposed that the Executive:

- (i) NOTE and COMMENT on the proposed Consultation response;

- (ii) DELEGATE to the Chief Executive in consultation with the Leader the completion and submission of the final consultation response

ANNEXES	Annex A – Draft Consultation response
BACKGROUND PAPERS	DCLG – A Review of Local Authorities Relative Needs and Resources
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19th February 2019

Dear Sir or Madam

RESPONSE TO CONSULATION REVIEW OF LOCAL AUTHORITIES RELATIVE NEEDS AND RESOURCES

Please find below the responses of Surrey Heath Borough Council to the above 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 proposed system benefits from being much simpler and transparent than the existing system. The use of population only for Districts recognizes that the vast majority of costs incurred by districts are driven by population rather than any other factors. That said the "Fixed Cost" element within the formula should be retained in that every district whatever its population will have a fixed cost for areas such as democratic services etc.

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

No comment

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

No comment

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

The proposed methodology looks reasonable however it is not clear as to what geographical areas this will be applied to. These need to be small enough to take account of local variations

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 – Councils could be asked to supply this data as part of the annual CTB1

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?

Agree

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?

Agree but this should be based on an assumption which applies to all districts

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?

Agreed the notional level should be used to ensure all Districts are treated equally

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

A national average should be used so as not to penalize those Councils which have decided to invest resources in to collections

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?

A uniform split should be used otherwise a Councils with identical tax bases and precepts could face different resource deductions due to decisions taken by other preceptors in their area. .

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?

Historical Council tax growth should be used for projections going forward to ensure that the resource adjustment remains in line with the tax base at any one time.

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

Agreed as these income streams are local generated from local people and volatile. In addition as councils are not allowed to make a profit on services any income received is used to cover the costs of providing that additional service and is therefore not available to support wider council functions

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?

Parking income should not be included as the income is volatile and is reinvested in parking and associated services.

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

Agreed. Any significant decrease in a Council's funding must take account of the fact that changes to services take time to implement. Otherwise services are likely to be cut rather than redesigned thereby adversely impacting the local community

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

Agreed that the level of funding in 2019/20 should be the baseline and that this should also include business rates baseline funding, new homes bonus and the additional funding for the "negative grant".

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 baseline resources calculation will form an important part of the resources councils have to deliver services. If the amount an individual authority receives is suddenly reduced significantly this will impact on the Council's ability to provide, in particular, discretionary services which by their very nature (meals on wheels etc.) would impact residents with protected characteristics. Hence any changes made to the way resources are shared needs to be done in such a way that the changes can be managed by individual Councils thereby mitigating potential impacts on services.

Finally this paper is a consultation on how a Council's relative need to other Councils is calculated and not its absolute need. It does nothing to address the underfunding of local government but merely looks as a different way of sharing out an ever diminishing funding. Until the funding need is addressed the problems with councils providing services to meet their local needs will continue..

This response was tabled at the Council's Executive meeting on the 19th February 2019

Yours faithfully

Karen Whelan
On behalf of Surrey Heath Borough Council