

Consultation Response

A review of local authorities' needs and resources

Executive Summary

- CCN has consistently argued for reform of the way councils are funding to address long held concerns that the underlying funding formula first introduced in 2003/4, updated and frozen in 2013/14, is based on a fundamentally unfair way of measuring relative need. **It is extremely welcome that this Government is seeking to address these imbalances.**
- In taking forward the next stages of the review, **CCN remain open and committed to working with all parts of the sector.** We recognise that the achievement of consensus is unlikely, but to ensure that the FFR is implemented in a timely and successful manner, this submission recognises that compromises on all parts of the sector will be necessary.
- **CCN strongly supports the overall direction of travel outlined in the latest consultation paper.** We acknowledge the extent that ministers and officials have had an open mind to the evidence and proposals that CCN has put forward in recent years. Based on the proposals outlined in the consultation paper, there are now the building blocks in place to give counties the funding settlement that they need and deserve in 2020-21.
- **The introduction of a fair funding formula will not on its own solve the financial pressures faced by local authorities.** CCN strongly support the wider sector in advocating for a Spending Review settlement that delivers a significant uplift in funding for all local government. Reforms to business rates retention, reforms to New Homes Bonus and the forthcoming Adult Social Care Green Paper are all important to the overall package.
- While it is essential that additional resources are allocated to local government as part of the Spending Review, **the fair funding review should not be reliant on an increase in the quantum in order to proceed to implementation.**

Foundation Formula

- **CCN supports the Government's proposal to create a Foundation Formula for the services outlined in the consultation. This will help create a simpler, more transparent formula.** Ultimately, we want to see a flatter distribution of funding than is currently the case as we believe that this will provide a fairer outcome. The consultation sets out proposals to achieve this, supported by accompanying evidence to justify the approach.
- **Considering recent debate within the sector on deprivation we recognise that the Government may wish to consider whether deprivation should be included at a small weighting.** However, we are clear that this should only be reconsidered if the evidence supports its inclusion and it does not compromise the review's guiding principles of *simplicity, transparency and robustness.*
- In setting out its proposals on the foundation formula, **we believe the Government has also begun to address our concerns over "unmet need" in rural areas.** This is where services have not been provided in more rural areas due to the historical availability of funding in different areas. This is particularly important in relation to inclusion of bus support and concessionary fares in the foundation formula; proposals we strongly welcome.

Service Specific Formula

- **CCN supports the proposed number of service specific formula.** We recognise that the Government has reduced the number of formulae to what is realistically the minimum number. The proposals strike a reasonable balance between providing specific funding allocations where this is justified, and creating a simpler, fairer formula for other services.
- **In relation to home to school transport (HTST), CCN is prepared to support the inclusion of HTST in the foundation formula alongside concessionary fares.** The inclusion of HTST within the foundation formula increases the importance of ensuring the Area Cost Adjustment (ACA) provides appropriate and sufficient weighting for rurality and remoteness, given the clear links between the costs of providing HTST and rurality.
- **Most fundamentally, we want to see a funding formula that is capable of funding and responding to the growth in adults and children's social care pressures.** We fully support the development of service specific formula for adults and children's social care and is pleased to see a shift away from using expenditure-based regressions. Nonetheless, we remain concerned over the lack of detail contained in the consultation on the proposed formula for children's and highlight specific concerns in relation the proposed adult social care formula. We also raise some specific questions regarding the revised public health formula.

Area Cost Adjustment

- One of the central reasons for the disparity in funding between counties and other parts of the country is due to the disproportionately high weightings given to density in the current formula and the lack recognition of the costs of providing services in rural areas. Although rurality has been downgraded from a common-cost driver since the previous consultation, we outline below that **we support the use of travel times in the ACA, alongside a remoteness indicator.** We believe this will better recognise the costs associated with both density and rurality, alongside the impact remoteness can have on local service markets.

Council Tax, Fees & Charges and Parking

- The current funding regime places an unfairly large burden on council tax payers in county and rural areas. The consultation paper sets out options for council tax equalisation that are capable of treating council tax payers in county areas fairly. **We strongly support the use of notional council tax and a partial council tax equalisation.** Furthermore, we fully support the concept that council tax should not be redistributed.
- CCN agrees that surplus sales, fees and charges should not be taken into account in the relative resource adjustment. **However, in relation to parking, there is a very strong case for taking car parking income into account in the resource adjustment.** The level of car parking income is considerable (£874m) yet its distribution is very uneven. There is a good case to be made that the super-profits being made by inner London boroughs has enabled them to set very low Band D council tax.

Transition

- Transitional arrangements have to be able to provide financial support and certainty to each and every local authority. Whatever happens to the distribution of resources between authorities, there has to be a safety net in place to ensure that no authority is at risk of financial failure. **A shorter period would be preferable - within 3-5 years – but we may consider a longer period if the redistribution of resources is larger.** Any transitional arrangements must, however, demonstrate that they are time-limited, and they should show how any damping is unwound over a period of time.