

CCN Response to MHCLG Consultation on measuring relative need

Introduction

1. The County Councils Network (CCN) represents 37 English local authorities that serve counties. CCN's membership includes both upper tier and unitary authorities who together have over 2,500 councillors and serve over 26m people (47% of the population) across 86% of England. CCN develops policy, shares best practice and makes representations to government on behalf of this significant proportion of the country outside of the big conurbations.
2. CCN is a member-led organisation which works on an inclusive and all party basis and seeks to make representations to Government. This submission has been developed in close consultation with member councils, and we would specifically draw the department's attention to these responses. CCN has also worked closely with the Society of County Treasurers (SCT) and Pixel Financial Management in developing this response.
3. CCN welcomes the opportunity to submit evidence to the Ministry of Housing, Communities and Local Government's latest consultation on the Fair Funding Review. Counties have been heavily involved in both the evolution of the business rates retention system and the review of the funding formula through the Steering and Technical Working Groups.
4. 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. This has led to an unfair and in many cases perverse situation where counties are the lowest funded type of any council, with county residents as result facing the highest council tax burdens across the county.
5. Analysis from Pixel Financial Management, on behalf of CCN, has calculated that counties will see their core grant funding reduced by 43% between 2015/16 and 2019/20. As outlined in the table below, county areas, including district council allocations, will also see their per head allocations falling at faster pace than other parts of the country, further entrenching historic inequalities in funding allocations.

| Council type | 4 Year change in SFA to 2019/20 | SFA per head | | Per Head Percentage change -/ + 2018/20 |
|------------------------|--|---------------------|----------------|--|
| | | 2018/19 | 2019/20 | |
| London | -22.16% | £481.89 | £459.78 | -4.6% |
| Metropolitan Districts | -27.91% | £350.69 | £327.92 | -6.5% |
| English Unitary | -35.75% | £251.49 | £230.13 | -8.5% |
| Counties | -42.82% | £182.11 | £160.87 | -11.7% |

Consultation Response – Overview

6. In addressing the historic imbalances in local government funding, CCN has worked with the Society of County Treasurers (SCT), member councils, and wider stakeholders to advocate a simple and transparent ‘cost drivers’ approach to measuring relative need, alongside greater recognition of the real drivers of cost faced by upper-tier councils, such as population, particularly elderly populations, rurality and deprivation. This was articulated in our post-General Election document *A New Deal for Counties*, and we are pleased to see the Government listen to our advocacy, with this consultation building directly on our proposals to date.
7. **The CCN is very supportive of the overall direction of travel presented in the Fair Funding Review consultation paper.** Many of the proposals in the consultation paper represent a welcome step in the right direction.
8. CCN supports the Government’s proposal to create a Foundation Formula which uses a limited number of cross-cutting or common indicators to create a **simpler formula**. CCN would like to see a new funding formula that is driven more by genuine cost drivers and a distribution of funding that is more linked to population levels than other top-up indicators, such as density, which we believe currently has too higher weighting in the 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.
9. **Most fundamentally, we want to see a funding formula that is capable of funding and responding to the growth in social care pressures in county authorities and across the wider local government sector.**
10. As well as being fairer, a flatter formula will also provide MHCLG with the flexibility to respond to future funding pressures as and when they arise. At the moment counties are being exposed to particularly acute funding and demand-led pressures across adults and children’s social care. As this submission outlines, counties face a funding gap in adults and children’s social care of £1.3bn by 2020/21.
11. It is imperative that the fair funding review prioritises funding towards these services based on need. For example, CCN members have the largest and fastest growing older populations, of over 65s, 75s and 85s. The older population of counties is expected to increase by 2% year on year until 2020, and CCN members are seeing a significant rise in referrals to social care, in comparison to overall reductions in other types of authority.¹ In addition, county and county unitary authorities face a growing funding crisis in the adult social care provider market. Recent research by Laing Buisson, on behalf of CCN, showed that there remains a £670m funding gap in the provider market, over and above core budget pressures.²
12. One of the central reasons for the disparity in funding between counties and other parts of the country is because of the different weightings given to delivery of services in areas impacted by density and sparsity (rurality). The fair funding review must deal with this disparity, and **CCN therefore strongly support the proposal to give a higher profile to rurality as one of the three main cost drivers.**

¹ LG Futures. Health & Social Care Funding & Demand Pressures in Counties (2016)

<https://www.countycouncilsnetwork.org.uk/health-social-care-in-counties-funding-demand-cost-pressures/>

² LaingBuisson. County Care Markets Update 2017 <https://www.countycouncilsnetwork.org.uk/download/1179/>

13. As the consultation alludes to on page 25, rural services delivery costs are currently not fully recognised in the current weighting within the formula. The weighting for "density" is eight times larger than it is for "sparsity". This is despite research, some of which has been commissioned by MHCLG, demonstrating that sparsity has an impact on the cost of delivering services and a weaker evidence base supporting density.
14. Moreover, alongside additional costs, we would also ask MHCLG to consider how they can address "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. The current regression methods of measuring need do not account for these factors, nor reflect differences in the efficiency with which different councils deliver services.
15. **The Rural Services Delivery Grant (RSDG), introduced to partly compensate for the additional costs of providing rural services, is completely inadequate.** The methodology used to distribute focuses on 'super sparsity' and fails to properly capture rurality in larger areas of the country and additional costs from rurality in services such as social care.
16. We urge MHCLG to use the opportunity provided by the Fair Funding Review to address these long-held concerns. In Annex 1, we set out the current evidence-base (excluding the 2014 report by LG Futures for DCLG/DEFRA) supporting the case for rural delivery costs; this includes new evidence provided by member councils for this submission. As the consultation acknowledges, further work is needed to understand the costs of rurality on service provision and as we outline below, CCN is committed to supporting the Department and commissioning further research to ensure an evidence-based approach.
17. Alongside a flatter formula and specific cost drivers, the CCN and SCT have long opposed the use of formulae derived from expenditure-based regression. It is widely accepted that historic expenditure must be driven by historic funding. Using this expenditure data as the dependent variable in a regression will not be capable of capturing need driven by factors which have previously been systematically underrepresented in funding allocations. It is therefore paramount that a formula is developed based on independent and sector-led expertise to inform the drivers of need and attempt to capture this unmet need.
18. CCN also believes that in order for the Fair Funding Review to be successful a system must be developed whereby the formula and data can be kept up to date. The existing formulae have suffered from becoming out of date and, as a result, discredited and unreliable.
19. We accept that moving towards a simpler funding formula might result in the use of greater ministerial judgement. This is a trade-off that we would accept in return for a simpler formula that meets the needs of county authorities. It is essential though that ministerial judgement is informed by robust evidence and transparent formula must be the key. Whilst we support simplicity, we recognise that the funding of local government services is complex and support the use of service formulae for adults and children's social care.
20. CCN is very confident that it can continue to make a strong and compelling case about the funding needs of county authorities, and that the needs of county authorities can be

best addressed in the kind of simple methodology that is envisaged in the Foundation Formula.

Funding Shortfalls and Quantum

21. Local authorities of all types, and particularly county authorities, are facing significant financial pressures that the sector are looking to be resolved through the Fair Funding Review and the upcoming Comprehensive Spending Review. The SCT recently surveyed county authorities across England on their budgetary position and we have used the results of this survey to estimate that county and county unitary authorities in England face unfunded cost-pressures of £2.54bn by 2020/21, excluding inflation.

| Cost Pressure | Average County | Total CCN |
|--|-----------------------|------------------|
| National Living Wage | £22m | £813m |
| NI Contributions | £3m | £93m |
| Adult Social Care | £26m | £949m |
| Children's Services | £9m | £316m |
| Highways | £4m | £138m |
| Pension liabilities' | £2m | £66m |
| Education (inc. SEND) | £5m | £167m |
| Total Cost Pressure - 2020/21 | £69m | £2.54bn |
| NB: Columns may not sum due to rounding. | | |

22. In responding to this consultation, CCN wants to see a new funding formula which genuinely reflects the actual costs that are incurred by local authorities. However, the introduction of a fair funding formula will not on its own solve the financial pressures faced by local authorities. In order to ensure that the new Fair Funding Formula can cope with these cost pressures, the "quantum" of funding available to local government must not only provide assistance with the transition to the new funding model, but must also be sufficiently large to fund the well-documented unfunded cost pressures currently being borne by the local government sector.

23. We recognise the quantum of funding available at the time of implementation in 2020/21 will be decided at the forthcoming spending review. We are ready to work with MHCLG and the sector to help develop a powerful case for an increase in the quantum made available for local government to help plug the £5.3bn estimated funding gap facing the sector.

24. Reforms to business rates retention and the forthcoming Adult Social Care Green Paper are both equally important in achieving this. CCN has been consistent in arguing for Government to make available to local government the remaining 25% of central Government's share of business rates *without new responsibilities*, building on the recent announcement to move to 75%. This would provide resources to meet the funding gap facing local government and also provide resources to help put in place appropriate transitional funding arrangements to ensure a smooth move to the new system.

25. A new funding formula, in the absence of additional funding, will clearly result in both "winners" and "losers". **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.** CCN members will

be disappointed if this is used as a pretext not to proceed with the implementation of genuinely new needs-led funding formula.

26. For some local authorities it is likely that implementation of the new system will result in a considerable change in their need allocation. With implementation just two years away it is essential that local authorities are notified of allocations under the new formula early to allow local authorities to plan appropriately. Late notification would lead to crisis management in the sector with serious issues for the services provided.

Business Rates Retention

27. While we are supportive of the move towards greater retention of the estimated £26bn in business rates, designing a system that ensures sufficient funding and incentives for local government will be essential.
28. The Institute for Fiscal Studies (IFS) report published on 1st March raised concerns about the possible impact of a divergence under 75%/100% retention between the level of income generated and the level of need that that income will have to support. This is particularly important for social care authorities, where there is little evidence that business rates income correlates to demand for these services.
29. Separate modelling by Pixel Financial Management for CCN showed last year that unless the system is designed carefully county authorities could see an additional funding gap (between what they raise in business rates income and need for services) of £700m by 2030.³ The report also showed that London and district councils would particularly benefit from the system, while the divergence in gains between district authorities was also stark. This was reinforced by the recent IFS report.
30. CCN want to work closely with the department, alongside the SCT, in ensuring that the system is designed to prevent unsustainable funding and misaligned incentives. This includes matters relating to the levy on growth, resets and the tier-shares. In particular, both the Pixel and IFS reports showed that a higher tier share for counties would result in a fairer distribution of resources and significantly reduce the divergence amongst district councils.
31. We also believe that alongside business rates retention other 'incentive' based funding, such as New Homes Bonus (NHB) must be considered. This should consider the future of this policy as a whole and, in particular, how it operates in two-tier areas. Pixel for CCN estimate that currently there is around £2.5bn in incentive based funding in the system from the BRR and the NHB; which will be higher than Revenue Support Grant by 2019/20. CCN support the inclusion of some incentive-based funding but the right balance must be struck between "needs" based and "incentive" based funding. For instance, DCLG's evaluation of NHB found that due to the policy shire counties without fire responsibilities were £45m worse off, with counties with fire responsibilities £25m worse off by 2014/15. This is set against a net positive financial benefit for district councils of £250m.⁴

³ <https://www.countycouncilsnetwork.org.uk/download/1132/>

⁴ [Evaluation of New Homes Bonus, Department for Communities and Local Government, December 2014](#)

Measuring Need

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?

32. CCN strongly supports the Government’s proposals to create a simpler needs assessment and focus on the most important cost drivers. The current needs assessment has grown to be too complicated with too many indicators, many of which have only a tenuous connection to the actual costs of providing services. Much of the current needs assessment is the product of statistical techniques that are far too distant from the actual patterns of service spending but which tend to perpetuate past spending patterns. The move towards a simpler funding formula represents the opportunity to move away from this approach, and to create a more credible needs assessment.
33. CCN would also like to see the Government reduce both the number of top-ups and the quantum of funding that they distribute. The consultation paper indicates that the number of top-ups should reduce, and CCN supports the inclusion of the three top-ups that are proposed for the Foundation Formula. Any increase in the number of top-ups would undermine the aim of the Foundation Formula to create a simpler needs assessment. There are some good cases for some specific top-ups (such as for coast protection or flooding) but for general services our view is that the proposed three top-ups are sufficient.
34. Just as important as the number of top-ups is the quantum of funding that is allocated to each. The current needs assessment – which was last updated in 2013-14 – gives far too much weighting to the top-ups, some of which are overlapping and duplicate one another. For example, while deprivation should remain a key cost driver, we believe that the allocation for deprivation is too large at present, similar to other factors such as density. We would expect to see clear justification and evidence for the funding allocated through any top-up, and broadly for the amount distributed through the top-ups to reduce.
35. Furthermore, we support both the concept of the Foundation Formula, and making the Foundation Formula as large as possible. There is very little point in proposing the concept of a simpler funding formula, and then minimising its role in the new needs assessment. The Foundation Formula must be a significant element of any new funding formula and it must distribute a material proportion of overall funding if the Fair Funding review is to be credible.
36. As is noted in the consultation paper, most authorities want a “simpler approach” but many have argued that “simplification should not be achieved at the expense of accuracy”. Any complexity that is introduced into the new needs assessment in the name of “accuracy” must be well evidenced. We would expect the Government to set a very high bar for any additional complexity and for the default setting to be to favour simplicity.

Common Cost Drivers

Population

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?

37. CCN supports the use of population statistics that are capable of reflecting future population change. Population projections are preferable to using backward-looking population estimates, but they still have flaws. By their nature, projections are based on previous trends, and are not forecasts. Our members have noted that the variance between the ONS's projections and actual population numbers can be considerable. Relying on population projections alone would be an imperfect solution albeit preferable to backward-looking mid-year estimates.
38. The primary concern of county authorities is that the population data used in the funding formula should be capable of reflecting the change in the client groups that are likely to generate spending pressures in social care. Largely these client groups will be older people, particularly those aged 75+. Pixel estimate that 61% of the overall growth in over-75s is in CCN authorities, with the average growth rate 1.8% in CCN authorities, compared to 1.4% nationally.⁵ According to Subnational Population Projections, counties are also predicted to see a 43% increase in residents who are aged over 85 in the next ten years, compared to a 33% rise for London.⁶ But we do not believe this fully captures the net migration of older people towards many county authorities which are popular places for retirement. Population projections do not always manage to pick-up changes in these client groups.
39. The financial effect of changes in these client groups has the potential to be considerable, especially where they lead to higher social care spending. The potential financial cost to an authority of an increase in the number of over-85s is much greater than for an adult of working age. It is imperative that there are alternative ways of dealing with these spikes in costs caused by demographic change. We would be interested in exploring with Government how a system could be designed that addressed the large growth in social care costs that is caused by demographic change. Without such a fail-safe system, many of our authorities will be exposed to considerable financial risk without the prospect of the funding formula being re-opened for as long as 5 years.

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

40. For most authorities population projections will give reasonable uplifts in funding most of the time. There are certainly deficiencies in the population projections that are produced by the ONS, but these are almost certainly preferable to using the mid-year estimates. Our main concern is that relying on projections without any ability to respond to significant variances – especially in social care client groups – leaves authorities open to the financial risks of demographic changes and errors in the population projections. County authorities will be most exposed to such risks because county authorities have the largest share of (and some of the largest growth in) the older population cohorts.

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

⁵ Based on the difference between the 2015 and 2016 mid year estimates.

⁶ Subnational Population Projections

41. CCN is very supportive of rurality being one of the core indicators in the Foundation Formula. All of our member authorities have rural communities within their boundaries and there is full awareness of the additional costs that are associated with rurality and sparsity. The recognition that the Government is giving to rural authorities is warmly welcomed by our member authorities.
42. As well as wanting to ensure that the rurality top-up is appropriately constructed, we also want to see an increase in the overall quantum for rurality. The amount that is distributed through the sparsity top-ups in the current relative needs formulae is surprisingly small, despite the increase in its weighting in 2013-14. We would expect an increase in the quantum distributed through rurality or sparsity in the new Foundation Formula.

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?

43. There is already a considerable body of evidence on the additional costs of providing services in rural areas. The most recent report was commissioned from LG Futures by the DCLG and DEFRA in 2014. In that report a range of additional costs was identified and financial assessments were made where possible. However, this report was based on existing data built on the current spending provisions, and we do not believe it reflects the true costs of delivering services in counties. There is no doubt that there are additional costs associated with service provision in rural areas. Annex 1 provides a summary of evidence to date.
44. We do recognise that the body of evidence could be further strengthened. Where there are weaknesses in the evidence our view is that this is not because there are not additional costs, but that the data is not routinely collected to demonstrate those costs. CCN and its member authorities are committed to improving the datasets that are available to prove the additional costs beyond doubt. We are committed to working with the MHCLG to gather the right evidence to support ministers' decisions. As well as working with our members to find out what research they have on their own services, we are also commissioning research with the SCT aiming to quantify the overall increase in costs, which we will of course share with MHCLG as part of the continuing consultation process and engagement process for the Fair Funding Review during the course of the year.
45. Currently the sparsity top-ups fund the additional costs associated with service provision in rural areas. These include the additional time taken to deliver services (such as waste collection and disposal, homecare, other travel-based services) and the higher unit costs of services in rural areas. CCN's preference is for these costs to continue to be largely funded via a sparsity indicator. The suggestion that higher unit costs should be funded via the Area Cost Adjustment is not one we would support.
46. We would support the MHCLG exploring alternative methods of measuring the needs of rurality and sparsity. Different methods are used for the top-ups in the current

formulae. It would make sense to have a more consistent approach to the sparsity indicator. This will be particularly important when the Rural Services Delivery Grant is rolled into the Settlement Funding Assessment in 2020-21.

47. CCN is also concerned that the current needs assessment does not measure or fund "unmet needs". Years of relative under-funding in rural areas means that many services and facilities that are routine in urban areas do not exist in rural areas. Examples include rural bus services and leisure facilities. This funding review is an opportunity for rural authorities to receive some of this funding so that they can start to close the gap with their urban counterparts, not just in terms of funding received but in the services and facilities that rural residents can access.
48. There is an opportunity to do this by using the Index of Multiple Deprivation (IMD) to drive the deprivation top-up instead of the current benefits data. In particular, we would support exploring how some of the domains within the IMD could be used to direct funding towards unmet needs in rural areas. Recognising "Geographic barriers", for instance, will help to reflect some aspects of rural deprivation and unmet need.

Deprivation

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

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?

49. CCN supports the proposal to have deprivation as one of the three top-ups within the Foundation Formula. However, while CCN support the inclusion of a deprivation top-up, we take the view that it should only be as large as the evidence can support. While deprivation leads to additional demand for services, particularly with regards to safeguarding, there is less evidence that it leads to additional *delivery* costs. Its current weight within the funding formula is therefore excessive. The overall quantum distributed by the deprivation top-up must be justified by evidence and the impact that it has on the *cost* of providing services.
50. The term "deprivation" encompasses a wide variety of types of deprivation including health deprivation, income deprivation, poor educational attainment and rural deprivation. The formula must also be designed to recognise small areas or pockets of deprivation that currently get averaged out over larger geographical areas.
51. Existing deprivation measures currently tend to have an urban bias. CCN are therefore keen that rural deprivation (lack of social housing, car dependency, poor public transport and lack of access to health and social services) is included within need assessments as this is different to the cost of rurality
52. We therefore support proposals to widen-out the definition of deprivation beyond income-deprivation. In many county areas, deprivation is associated with low-pay rather than benefits claimants. The current methodology rewards authorities where its

residents claim benefits rather than those authorities where residents are more likely to stay in work even where pay might be low.

53. We are also interested in the Government's proposal to consider the IMD as a possible alternative way of measuring deprivation: it captures factors beyond income and employment. The IMD appears to be more effective at identifying areas with income deprivation rather than just high levels of benefits claimants. Some of its LSOAs are in the most deprived 10% of LSOAs nationally. More work will be required before we can know whether the IMD is a viable alternative, but the signs are promising. We would be particularly interested in how the IMD could be used to reflect the particular aspects of deprivation that are prevalent in rural areas.

Other specific cost drivers

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?

54. CCN would support the inclusion of a number of additional cost drivers but only for services that are very unevenly distributed across the country:
- *Top-ups for Coastline in the Fire formula. County authorities – or their combined fire authorities – provide fire services covering almost the entire coastline of England, and this top-up is very important in reflecting these additional costs.*
 - *Flood defence. Important to authorities with recent flooding problems or high flood risk (e.g. Cumbria, Somerset).*
 - *Coast Protection. As above.*
 - *Continuing EA Levies. As above.*
55. As far as possible, all funding should be included within the Foundation Formula. Some existing funding blocks, such as concessionary fares, could be distributed within the Foundation Formula and rely on per-head funding as far as possible.
56. We assume that the existing top-ups will also be continued for the funding of highways maintenance, although it is possible that this funding could also be included within the Foundation Formula. Currently these include top-ups for Usage and Winter Maintenance (Highways Maintenance only). County authorities will want to scrutinise this top-up because road length will be the most important factor. Some county authorities – such as Cumbria, Northumberland and Durham – have very high levels of winter maintenance. We would also challenge the additional weighting for "built-up roads" in the current funding formula: this currently provides twice as much funding for similar urban roads compared to those in rural areas. There is no evidence to support the additional weighting given to urban roads.

57. Finally, we would also urge the Government to consider additional costs in those counties with large overnight visitor numbers. These are typically some of the most rural (and most geographically remote) authorities in England. They include Cornwall, Cumbria, Norfolk, Northumberland and North Yorkshire. There are significant additional costs associated with high visitor numbers, including additional waste collection and street cleansing.

Area Cost Adjustments

Question 9 – 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?

58. The most important cost-related pressures for CCN's member authorities are from the social care market. Much of the provision of social care is via private providers, and even in-house provision is heavily influenced by the external market. The pressures on the social care market have resulted in higher unit costs for some types of service. These unit costs are unlikely to be related to the overall General Labour Market, which is the dataset that the Government is proposing using for the Area Cost Adjustment (ACA). CCN would support further work to establish whether the additional costs within the social care market should be included in a future ACA.

Treatment of small but locally significant duties

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?

59. We have outlined the specific cost drivers that we would like to see included in our answers to Question 8 above.

Service Specific Cost Drivers

60. CCN believes that the number of service-specific formulae should be kept to a minimum. We accept that there will have to be separate specific formulae for children's and adults' social care, as well as fire, highways maintenance and capital financing.

Question 11a): Do you agree that 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?

61. We support the cost drivers that are proposed.

62. We support the inclusion of sparsity as a cost driver and would be keen to provide any additional evidence that the MHCLG requires to assess the additional cost of provision in rural areas. Initial evidence from some of our member authorities suggests that the uplift on homecare in the most sparsely-populated is around 20%.
63. We would urge the MHCLG to use the relevant population cohorts as the basis for the funding allocations, and only to add on cost drivers where there is compelling evidence to do so.
64. Many younger adults receiving support from the local authority will do so because of health conditions that require social care support. In many cases, these will be conditions that they have had from childhood. The prevalence of these conditions will not be related to deprivation, and any new funding formula should reflect this. Where necessary, actual client data should be used to fund services rather than proxies that do not reflect the actual distribution of costs.

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?

65. We would challenge the use of deprivation as a cost driver in this service formula. We accept that some types of support from Children's Services might be influenced by deprivation, but most of the drivers will not be correlated with deprivation.
66. Much of the support provided through Children's Services will be for children who have certain conditions. These children will often require very high-cost placements or support packages. Their distribution throughout the country will be relatively random, and will not be correlated with deprivation. A future formula might have to take more account of actual numbers of children in receipt of care packages or support.
67. There are significant continuing education responsibilities and costs for local authorities for example the new responsibility for local authorities to continue to support looked after children up to the age of 25. These should be included within the funding formulae.

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?

68. The proposed indicators for highways maintenance should be limited to road length, traffic flow and snow forecasts/ predicted gritting days.
69. We do not support the uplift for maintenance of roads in built-up areas. As far as we are aware, no evidence has ever been presented to prove that there are additional costs in urban areas or what those costs are.

70. Funding for concessionary fares should be amended so that more is directed towards rural and county areas. Currently there are limited (or even no services) in many parts of our member authorities because there is no funding. Every other funding stream is based on the expected need, not the actual usage. Using this overly-simple approach will have the effect of perpetuating past spending patterns and inhibiting the ability of county authorities to fund an effective and comprehensive bus service.

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?

71. We would support an approach that is based on a per capita approach but also reflects both the greater distances in county and rural areas.

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?

72. We support the use of the number of households, types of property, and travel times.

73. There are additional costs associated with providing this service in rural areas, including the type of vehicles that are required to operate in some very rural areas.

74. There are market price factors for the more geographically remote counties where there is less competition from private-sector suppliers. Prices in these areas will tend to be higher as a result of the lack of competition.

75. It is difficult to see that there is evidence for the additional costs associated with deprivation.

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?

76. We support the proposed indicators with the exception of density.

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?

77. Agreed. Local authorities have been promised support based on the credit approvals that were issued to them in previous years. Long-term financing decisions have been made on this basis. Where authorities have reduced their capital financing costs (e.g. by debt restructuring, applying capital receipts to repay debt) they have done so by sacrificing the use of those financial resources in other ways.

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?

78. We have identified other top-ups in Question 8 above.

Weighting Funding Formulas and Cost Drivers

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?

79. CCN does not support the use of regression against past expenditure to distribute future funding. This will simply continue the past distribution of funding which has systematically favoured urban authorities over rural and county authorities. We would be interested in considering any methodologies that can avoid any influence from past spending patterns.

80. As a preference, we would want the Foundation Formula to be based as far as possible on a simple methodology, and for ministers to use informed judgement to arrive at the weighting of the three top-ups within this formula. Judgements could be informed by evidence, including some statistical evidence. Given the wide range of services likely to be funded within the Foundation Formula, regression analysis is likely to be of limited use.

81. CCN can support the use of more sophisticated statistical techniques, where these can be shown to eliminate the effect of past spending allocations between authorities. Small Area Modelling and Multi-level Modelling appear to achieve this, and we would support their use, as proposed, for the Children's Service and Adult Social Care formulae.