

**LOCAL GOVERNMENT FINANCE FORMULA GRANT DISTRIBUTION:  
CONSULTATION PAPER  
July 2007**

**Response Form**

The Government would like your views on which of the options presented in the Local Government Finance Formula Grant Distribution consultation paper should go to updating and modifying the grant distribution system. This paper was published on the 17 July 2007, and can be found at the following address  
<http://www.local.communities.gov.uk/finance/0809/sumcon/index.htm>

For convenience, this preformatted response form sets out all the questions in the main consultation document. Please click on relevant check boxes to activate the 'X'. Space is available after each question if you wish to include any additional comments to support your choice. We also welcome any alternative proposals, and these can be made in the section available at the end.

**All responses, whether using this preformatted response form, or otherwise, should reach us by 5pm on 10<sup>th</sup> October 2007.**

We particularly welcome responses submitted electronically. Please send response by e-mail to [formulagrantsreview@communities.gsi.gov.uk](mailto:formulagrantsreview@communities.gsi.gov.uk)

If you are not able to respond by e-mail, please send your response to:

**Nikki Hinde  
Formula Grant Review Team  
Communities & Local Government  
Zone 5/J2  
Eland House  
Bressenden Place  
London SW1E 5DU**

Alternatively, your response may be faxed to 020 7944 2963.

**Confidentiality**

All information in responses, including personal information, may be subject to publication or disclosure under freedom of information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under legislation. Any such request should explain why confidentiality is necessary in the box below. An automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in your e-mail.

I would like my response to remain confidential (please tick)

Please say why

## FORMULA GRANT DISTRIBUTION CONSULTATION RESPONSE

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### CHAPTER 2: Formula Grant And Local Government Restructuring In A Three-Year Settlement

Q1 Do you agree with the fallback mechanism described for calculating settlements in restructured areas during the 3 year settlement?

Yes   
No

Any further comments:

From this Council's point of view the key issue is o avoid unintended grant consequences for authorities not affected and to maintain certainty in financial planning. The proposal seeks to ensure this.

### CHAPTER 3: Children's and Adult' Personal Social Services

#### *Personal Social Services Formula Damping*

Q2 Should the specific formula floor continue for Children's PSS?

Yes   
No

Any further comments:

No comment. This is not an issue for DIstrict Councils

Q3 If yes to Q2, how quickly should the formula floor be phased out?

Q4 Should the specific formula floor continue for Younger Adults' PSS?

Yes   
No

Any further comments:

No comment. This is not an issue for District Councils

Q5 If yes to Q4, how quickly should the formula floor be phased out?

***Social Services for Older People***

Q6 Which option do you prefer for the Low Income Adjustment -

SSE1   
SSE2

Any further comments:

No comment. This is not an issue for District Councils

**CHAPTER 4 - Police**

Q7 Do you agree the resource base should be updated (POL1)?

Yes   
No

Any further comments:

No comment. This is not an issue for District Councils

Q8 Do you agree that the Additional Rule 2 grants should be rolled into principal formula Police Grant (POL2)?

Yes

No

Any further comments:

No comment. This is not an issue for District Councils

Q9 Do you agree that the Crime Fighting Fund should be rolled into principal formula Police Grant (POL3)?

Yes

No

Any further comments:

No comment. This is not an issue for District Councils

## CHAPTER 5 – Fire and Rescue

Q10 Do you agree that the expenditure base used to determine the coefficients should be updated (FIR1)?

Yes

No

Any further comments:

No comment. This is not an issue for District Councils

## CHAPTER 6 – Highways Maintenance

Q11 Do you agree that the expenditure base used to determine the coefficients should be updated (HM1)?

Yes   
No

Any further comments:

No comment. This is not an issue for District Councils

## CHAPTER 7 – Environmental, Protective and Cultural Services

### *Concessionary Fares*

Q12 If the money is to be added to Formula Grant, which option for distribution do you prefer -

EPCS1   
EPCS2   
EPCS3

Any further comments:

While EPCS 3 seems to provide the best balance of the different factors involved in influencing the demand for concessionary fares. It is certainly preferable to any option involving the use of an overnight visitors factor which seems to direct resources to areas with limited public transport infrastructure. In addition such an indicator does not reflect the propensity of the target groups to engage in overnight stays which seems likely to be less than the average. On balance we would not support any of the options presented, see below.

The process of consulting on these options ignores the much more fundamental questions on which there seems to be no specific consultation:

1. How much additional grant is to be provided and whether it is adequate in the context of the cost increases experienced by councils as a result of the April 2006 changes. There is little faith that the overall estimates of resource requirements for the first set of changes were anything like adequate given the level of increased demand experienced. Clearly further urgent work is required in this area to understand the real cost of the changes made.

2. Whether Formula Grant is the appropriate mechanism for dealing with the funding of this scheme. The present situation is that central government has transferred the financial risk around management of a nationally prescribed scheme to local authorities. For District Councils given the smaller scale of the budgets available this is producing significant calls on limited reserves given the unpredictability of spending. However, for all councils the result in

budget terms is that other spending is having to be reduced to fund a national scheme which while desirable in itself might not be at the top of the list of local spending priorities. Fundamentally this undermines the financial autonomy of local authorities.

Q13 Do you have any other suggestions for distributing the funding via Formula Grant?

Yes (please specify below)   
No

If yes, please specify:

There seems to be no compelling reason to use a different set of factors from that used previously. The change proposed is to further extend the concession available. There is thus no reason to use a different set of factors to allocate this tranche of resource than was used for the first tranche.

## CHAPTER 8 – Capital Finance

Q14 Do you agree with the proposal to freeze the shares of SCE(R) for years prior to 2007-08 to the level used in the 2007-08 Settlement; and that in future, the shares of SCE(R) will not be recalculated to the current year shares in every Settlement?

Yes   
No

Any further comments:

Not relevant for this Council

## CHAPTER 9 – Area Cost Adjustment

Q15 Do you agree with the proposal to update the weights given to the rates cost adjustment (ACA1)?

Yes   
No

Any further comments:

It is difficult to argue against updating the formula for more recent information. However, in the case of this authority some elements of rates are paid indirectly and therefore the information contained in the subjective analysis return may understate the influence of these costs on total costs both for ourselves and other similar authorities. This occurs for example where leisure facilities are managed by a leisure trust responsible for meeting all direct costs with the cost being met through a single contractual payment. Similarly this authority utilises some leased accommodation which is paid for through an all inclusive rental including rates. Neither of these or similar items in other authorities would show up in the Subjective analysis return. In the future there may therefore be a case for some research to establish the real influence of rates on local authority costs.

Q16 Do you agree with the proposal to update the weights given to the labour cost adjustment (ACA2)?

Yes   
No

Any further comments:

Again it is difficult to argue with the use of more up to date data. The point made about external provision needs to be treated with caution as labour costs will still be a major driver in the price paid regardless of who is the provider as these costs account for a significant proportion of the total cost of the service.

Q17 Do you agree that we should revise the geography of the ACA?

Yes   
No

Any further comments:

There seems to be no pressing need to do this other than to respond to facilitate a shift of resources away from deprived areas in the North to generally less deprived areas in the South.

Q18 Which option for revising the geography of the ACA do you prefer?

ACA3   
ACA4

Any further comments:

Given the comments above neither option is supported.

Q19 Do you have any other proposals for revising the geography of the ACA?

Yes (please specify below)

No

If yes, please specify:

As indicated above there seems no pressing need to make changes to this element of the formula which is now much less contentious than it was in previous years.

## CHAPTER 10 - Taking account of Relative Needs and Resources

Q20 Do you think there should be further judgemental change in the extent to which the system takes account of needs or resource?

Yes

No

Any further comments:

While it is always possible to make changes to further refine the model the fact that these changes are judgemental rather than purely evidence based would lead to significant suspicion of them. In the exemplifications given the results for Rossendale are frankly bizarre. The Borough ranks 92<sup>nd</sup> on the IMD and has over 60% of properties in bands A and B. Thus Rossendale could be seen to be both relatively deprived and relatively less able to raise resources locally. Yet, changing the weights of either element can on these exemplifications lead to a loss of grant equivalent to a council tax of over £3 per band D property. To say this least this appears counter intuitive and is therefore not acceptable.

Q21 If yes, what change would you suggest?

We would support no change to the weights within the model

## CHAPTER 11 – Tapering Grant Floors Down

Q22 Do you support the approach of reducing the levels of grant floors over the 3 years of the settlement?



Yes   
No

Any further comments:

Authorities in Lancashire have long argued against the floors and ceilings approach as adopted in the formula and it would be churlish not to welcome this compromise proposal for unwinding the floors over time.

Q23 Do you have other suggestions on the way in which the grant floors system should be operated?

Yes (please specify below)   
No

If yes, please specify here

The only acceptable alternative would be to finance the floors outside the formula and therefore protect losers while allowing gainers to benefit immediately.

## CHAPTER 12 – 100% Quarterly Scans of Benefits Data

Q24 Do you agree that the DLA indicator is based on a three-year average using quarterly rather than annual data (DATA1)?

Yes   
No

Any further comments:

No specific comments

Q25 Do you agree that we use quarterly data on income support and claimants of pension credit (DATA2)?

Yes   
No

Any further comments:

No specific comments

### CHAPTER 13 – Attractiveness of an Area to Day Visitors

Q26 Do you agree that we should replace the day visitors indicator with a population-weighted indicator that takes into account the attractiveness of an area to day visitors (DATA3)?

Yes   
No

Any further comments:

While the underlying issues about the current dataset being out of date are accepted the proposal is not accepted. If the indicator is to be replaced it needs to be replaced with something that can be regularly updated and there is no indication that this is either proposed or possible. Secondly some the factors used seem strange. For example in Rossendale we have few nature reserves or AONB's attracting walking visitors but we do have a highly developed network of footpaths and walking trails which encourage visitors. These however, do not appear as a factor in attracting walking visitors. Further work is required on this area to produce a measure that can gain general acceptance.

Q27 Do you agree that we should remove the day visitors indicator from the Highways Maintenance formula (DATA4)?

Yes   
No

Any further comments:

No comments as this is not a District Council issue.

### CHAPTER 14 – Student Exemptions and the Council Tax Base

Q28 Do you agree that we use student exemption numbers from 31 May 2007 to adjust the starting position of the taxbase projections (DATA5)?

Yes

No

Any further comments:

Until it is possible to view exemplifications of the effect of this change it should not be implemented.

Q29 Do you agree that we use the average of student exemption numbers from 31 May 2007 and mid-September 2007 to adjust the starting position of the taxbase projections (DATA6)?

Yes

No

Any further comments:

See above. It is impossible for authorities to agree to a change of this sort without having an understanding of the potential effect on grant levels.

#### **OTHER COMMENTS**

Q30 Do you have any other comments or alternative proposals?

Once again the proposals tinker around the edges of the grant system. The fundamental issues for consultation and discussion should be the total quantum to be distributed and the way in which the Government proposes to at least share in managing the financial risks around concessionary fares.

***Thank you for completing this response form.***