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## **Consultation on the Review of Local Authorities Relative Needs and Resources**

Cornwall Council welcomes the opportunity to submit a response and contribute to this consultation. We recognise and support the Government's intention to simplify the current system of funding distribution, which is currently very unclear.

It is pleasing to see that the significant and complex areas of expenditure in Adults and Childrens Social Care are to be funded through their own specific formula.

We are hopeful that the proposal to provide funding to local authorities using a smaller number of variables will result in a fairer distribution of resources across the sector than that which is currently experienced.

However it must be stressed that, probably, the more significant issue to the sector is the quantum of overall funding, which must be addressed in the Spending Review later this year. The LGA has recently stated that councils in England will face a funding gap of £8bn by 2025 and that funding cuts and demand pressures are pushing local services to the brink.

In more recent years, due to continued cuts in Government funding, a greater burden has fallen on local tax payers. The disparity of Council Tax levels across the country is biased. Therefore, if it is the intention of the Government for local tax payers to fund local service, then we believe that a comprehensive review of both the Council Tax and Business Rates systems is required to ensure they offer a sustainable and fair base for collecting tax.

As a predominantly rural authority Cornwall Council faces additional cost delivering vital services from multiple locations across sparsely populated and dispersed areas. It is welcome to see that the Government recognises this in consultation document.

We do have concerns about the weighting factors that will be applied in respect of rurality and sparsity within the new funding formula and will await further information on this in due course.

In the original funding settlement 2013/14, the Government took steps to recognise the additional cost of rurality – however those gains were largely removed through £9m damping that has unfairly remained fixed in Cornwall's funding settlement ever since.

This must be addressed as part of this review. Any measures to dampen the impact under the new formula should be met by Government and not at the expense of those authorities who have been historically underfunded.

We look forward to receiving further information in the near future as the proposals are developed. It is vital that local authorities have early indications of their funding levels, not only for 2020/21, but also for future years in order to ensure that they get a clear understanding for both financial and service planning purposes.



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Our responses to the specific questions within the consultation are detailed below.

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?

Cornwall Council is supportive of the proposals. The proposed 8 block model appears to offer an appropriate balance between simplicity, transparency and precision.

This is very much in line with our previous consultation responses calling for a more simplified and transparent relative needs assessment.

We agree that formulas should be based on key cost drivers (weighted according to importance and impact on the need to spend) and that an area cost adjustment should then be applied to reflect the local factors affecting service costs.

In particular, the following should be noted:

#### Foundation Formula

We recognise and support proposals to apply population as the most significant cost driver for all other services within the Foundation Formula. We believe that this offers a fair and transparent solution and eases concerns, at least in part, that funding would not be provided for existing 'unmet need' especially in rural areas.

By applying forward population projections that are fixed for the duration of the spending period, this should 'future proof' the funding settlement, whilst also offering a level of funding certainty.

We agree that the Area Cost Adjustment should be applied to the Foundation Formula.

However we would call on the Government to ensure that provision is included for the significant seasonal impact of tourism on the population in areas like Cornwall, with increases of up to 5 million, recognising the substantial extra demand that this places on local services (which is also not reflected or mentioned in the Area Cost Adjustment).

#### Adult Social Care

It is agreed that a service specific funding formula is required distributing funding for Adult Social Care, being a highly complex area and accounting for the largest proportion of expenditure.

We support proposals to assess need according to the different age groups; working age (18 to 64 year olds) and older adults (65 years and over, including a separate 85+ element) and the very different service demands required within each client group.

Proposed small area modelling would appear to offer the most 'analytically robust' solution, that is most capable of capturing local demand. We are also encouraged by proposals to use cost drivers that offer a significantly wider set of observations and measures which transparently and sensibly link to the design of the social care means test.

There are concerns, however, that some of the data is significantly out of date, but it is also recognised that any alternative would likely weaken the robustness of the

formula and that it is more important, at this stage, to develop a funding model that is capable of accurately calculating need over the longer term.

We agree that the Area Cost Adjustment should be applied to the Adult Social Care Formula.

#### Children and Young People

Children and Young People is a complex area with unique cost drivers and we agree that a service specific funding formula is required.

It is considered disappointing that proposed cost drivers have not yet been worked up, but Cornwall Council supports proposals for multi-level modelling in the development of a highly nuanced and robust formula which identifies and predicts local need.

Again, we agree that the Area Cost Adjustment should be applied to the Children and Young People formula.

#### Public Health

The wide ranging and complex services within Public Health are recognised (some of which are statutory functions) and we therefore support proposals that this should form a separate funding formula.

The proposals are to use the existing Public Health formula, previously developed by the Advisory Committee on Resource Allocation and rolled out from April 2016. This is analytically robust based on detailed person-level datasets on substance misuse and sexual health activity.

However the consultation refers to possible additional 'assurance arrangements' that will need to be put in place for delivering Public Health services and outcomes and we have concerns that this will, effectively, be made a ringfenced element of the funding assessment. We believe that the revised relative needs assessment, in its entirety, should be unringfenced and for local discretion as to how those resources are applied for the provision of local services.

It is noted that a key objective of the new Public Health formula is to incentivise investment in prevention services. This has far wider connotations and recognises that public health issues are a concern and relevant to everyone. There is an argument therefore that to structure a funding formula based on historic treatment activity is flawed and that this should be rolled in to the wider Foundation Formula and distributed based on population.

It is agreed that the Area Cost Adjustment should be applied to the Public Health formula.

#### Highways Maintenance

We support the proposals for a separate funding formula for Highways Maintenance which is based on cost drivers of road length and traffic flows (with an equal weighting for all roads and vehicle types). We also agree with proposals to discount allowances for winter services which are relatively immaterial overall and would not add sufficient value.

The Area Cost Adjustment should also be applied to this formula.

### Legacy Capital Finance

We agree that a separate needs formula is required to ensure that local authorities continue to receive funding for historic long term borrowing commitments undertaken prior to the introduction of the Prudential Capital Finance system and on the understanding that funding would be provided within the local government finance settlement.

For the reasons outlined in the consultation, we agree that the proposed cost drivers are appropriate.

### Flood Defence & Coastal Protection

Whilst flood defence and coastal protection represents a small proportion of overall spending, this varies significantly across the sector and is a very significant concern for many authorities like Cornwall. We therefore agree that a separate formula is required to ensure funding is directed to the most appropriate authorities, based on need.

The proposals are, for upper tier authorities, that this should be rolled in to the wider Foundation Formula. Whilst it is recognised that this may lead only to minimal change, we consider that this goes against the transparency objective and would be better if explicitly presented. This would also be consistent with how this is shown for lower tier authorities.

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

There is strong rationale and support for proposals to retain a separate funding formula for Fire and Rescue services as these are carried out by some stand-alone fire authorities and this should be reflected within the needs assessment.

It is, however, disappointing that proposed cost drivers have not yet been established. We support the proposals which have been worked up with the National Fire Chiefs Council using an expenditure based regression approach for a formula based on cost drivers with the greatest explanatory power for Fire and Rescue Services, including most significantly:

- Population
- Deprivation, and
- Proportion of residents aged 65 and over

We consider this meets the key principles of the needs based review and recommend that this option is progressed further. Significantly, this should include additional support for those authorities, like Cornwall, with large coastlines and as a result are less able to rely on neighbouring fire authorities to provide support in an emergency.

Alternative proposals to:

- i) *update existing the formula*; are flawed as they rely on out of date historic data which cannot be updated and does not meet one of the key objectives of the needs review to develop a contemporary formula; and
- ii) *develop a multi-level model using fire incident*; does not present a robust proxy for fire service activity or risk.

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

In the interests of simplicity, and scale, we support the proposals to include Home to School Transport and Concessionary Fares within the Foundation Formula.

This is a transparent solution addressing concerns regarding the identification and quantification of unmet need, especially in rural areas like Cornwall.

However, we consider that the cost driver should be tailored further for concessionary travel (local bus support) in order to be more heavily weighted towards the profile of population aged 65+.

Additional weighting should also be given to Home to School Transport in rural areas to reflect the greater sparsity and higher proportion of children and young people entitled to free concessionary transport. This, as a cost driver, will not otherwise be adequately reflected through the Area Cost Adjustment alone.

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

Cornwall Council supports proposals for the inclusion of an Area Cost Adjustment that is separate to, and designed to capture, the factors affecting cost as opposed to the factors which drive costs.

We agree with the determining criteria as outlined in the consultation and, from that, the factors to be incorporated into the Area Cost Adjustment seem sensible:

- rates cost adjustment
- labour cost adjustment (including reduced productivity in rural areas due to increased journey times)
- remoteness adjustment (including impacts on local markets)

It is appreciated that the factors included within the Area Cost Adjustment will impact differently for each area of the funding model and therefore that the Area Cost Adjustment itself will need to be tailored for each service area it is applied to.

However, it is disappointing that the consultation does not provide any further information on the proposed weighting that will be applied to each factor within the Area Cost Adjustment. The absence of this makes it impossible to ascertain the seriousness with which the Government intends to address this very real issue.

Cornwall Council, as a rural council, is currently significantly underfunded, a fact that has already been acknowledged and accepted by the Government. It is vital that this disparity is addressed in full as part of this revised relative needs assessment.

Furthermore, whilst possibly linked more closely to the cost driver than the Area Cost Adjustment, Cornwall Council would reiterate its serious concerns that there is nothing within the proposed needs assessment recognising the impact of tourism on local services and calls on Government to make adequate provision within its final proposals.

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, we agree that all non-discretionary discounts and exemptions (including income forgone due to pensioner-age elements of local council tax support) should be taken into account in the measure of council tax base.

These are mandatory allowances over which authorities have no control. As this forms part of the overall notional spending power, it is also appropriate that these discounts are reflected within the forecast income levels.

Forecasts should be based on actual discount levels, which are already readily accessible through the annual CTB1 returns at a local level.

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, we agree that an assumption based approach should be made when measuring the impact of discretionary discounts and exemptions and premiums.

It is important that, as far as practically possible, funding levels are not impacted by, or used to incentivise, local decision making.

As the overall notional spending should, as closely as possible, reflect the actual funding levels then it would seem sensible to base the total level of discretionary reliefs on actual levels detailed within the annual CTB1 return.

In order to ensure that authorities are not impacted by local decision making, then this overall amount (however this is ultimately determined) should be applied at an individual authority level based on a notional (and proportionately equal) distribution based on taxbase after mandatory discounts.

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?

Yes, we agree with this and for the same reasons and methodology outlined in our response to question 6.

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, and for the same reasons already outlined above.

It is agreed that a notional approach to council tax levels should be taken in calculating the resources adjustment.

As stated above, it is important that, as far as possible, funding levels are not impacted by or used to incentivise local decision making.

The notional council tax level should be set at a value that ensures, as far as is reasonable, the overall notional spending power is aligned to the actual spending power.

Cornwall Council believes, first and foremost, that the overall notional Core Spending Power should be a reasonable reflection of the actual core spending, ensuring transparency and reasonableness. This principle should not be lost in an effort to further redirect resources across the sector.

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

Cornwall Council believes that the measure of Council Tax resource, which is used as part of the resource adjustment, should include an adjustment for collection rate.

This should be set at a notional level that, overall, reflects the average national collection level and to ensure that, as far as possible, the notional spending power is a fair estimate of actual spending power.

This to ensure that those authorities that are performing with above average collection rates continue to benefit from that performance and that this is not then lost through a redistribution based on need. This will maintain an incentive to improve performance.

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?

Cornwall Council, as a unitary authority and with fire responsibilities, is not impacted by this issue therefore has not provided a response to this question.

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, Cornwall Council supports proposals to apply a single measure of council tax resource fixed over the period between resets.

This would ensure that Council's which are proportionately building more houses and growing the taxbase over time will benefit from that investment.

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

Cornwall Council recognises the difficulties and concerns raised in the consultation regarding the possible inclusion of sales, fees and charges within the relative resource adjustment.

For that reason we support the proposals that, for the vast majority of authorities, this should not be taken into account.

However, it remains unfair that a few 'super profit-making' authorities will continue to benefit unchecked from higher income levels that is not shared or equitable across all councils.

We would therefore propose that a level of 'excessive' surplus is identified above which that income should form part of the overall notional spending power and redistributed based on need. This should then be allocated, at an individual authority level, against the specific authorities from which the 'excessive' premium was raised and as part of the relative resource adjustment.

This meets the core principles of the relative needs assessment in that:

- it should be easier to calculate and manageable (simple and transparent)
- it is not directly linked to actual income levels (only surplus income above a predetermined 'excessive level') and therefore does not impact on local decision making
- authorities will keep income from sales, fees and charges unchecked up to 'excessive surplus' levels
- in the spirit of the relative need assessment, 'excessive surpluses' will be identified and redistributed across the sector based on need

The principle of limiting 'excessive' levels is well established within local government finance e.g. for council tax referendum limits and now, under revised business rate retention proposals, in the calculation of levy payments.

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?

Please refer to our response to question 12.

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

Cornwall Council recognises that fairer funding will likely lead to significant redistribution of resource across the sector; and this may lead to unpalatable funding reductions for some councils.

For that reason, we recognise the need for some form of transition and support the key principles outlined in the consultation:

- Stability; to ensure councils are able to manage the transition effectively and the impact on services
- Transparency; that transition adjustments should be visible and understandable
- Time limited; that transition arrangements should be introduced for a fixed period of time and should be unwound as quickly as possible

However, we consider that additional funding protection should only be provided to authorities with a reduction beyond a set 'acceptable' threshold (to be determined) and that this should not be at the expense of those authorities set to see an increase in funding through deferred gains.

We believe that Councils which are set to see an increase in core funding, as a result of the revised relative needs assessment, should move to their higher funding level with immediate effect.

A fairer funding distribution is long overdue and underfunded Council's, and the residents that they support, have suffered that burden for too long. Proposals to further extend that position through a delayed period of transition are unacceptable.

Instead, we believe that if the Government wishes to offer a period of protection for those council's worst affected, it should do so at its own expense by providing for additional funding.

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

For the purposes of transition calculations, baselines should be constructed that measure the real movement in Core Spending Power against the 2019/20 funding level, adjusted to provide a like for like comparison e.g. for changes arising in wider government funding reforms (Business Rate Retention) and the Spending Review.

For several years, as part of the annual funding settlement, the Government has released core spending calculations for each authority including comparative prior year funding levels adjusted to provide a like for like comparison. This has become a well-established part of the framework/infrastructure of local government finance.

For consistency and transparency, revised baseline calculations should be worked up using the same methodology. This is consistent with the core principle of the relative needs assessment to redistribute resources based on the wider consideration of spending power (i.e. including council tax) rather than the more narrowly focussed baseline funding level.

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.

As stated in our introductory commentary, it is clear that the overall quantum available to the sector is not enough. It is imperative that first and foremost this must be addressed in the forthcoming spending review.

We have previously highlighted that in the absence of a needs based assessment, the impact on equalities for those residents in rural areas such as Cornwall, where the pressures of having a larger proportion and increasingly growing elderly population are greater than those living in London Boroughs and Metropolitan areas. Therefore it is hoped that this review will bring an end to some of those inequalities.

Cornwall Council will continue to make every effort to prioritise resources to support the most vulnerable members of the community. However, without sufficient funding, it is impossible to provide services without impacting on the level of support for all service areas. Whilst we would always seek to protect the most vulnerable in our community, it is almost certain that this will impact on protected groups.

A fairer distribution of resources which ensures that rural councils like Cornwall receive a fair share of the funding allocation is vital to help mitigate these concerns.

If you have any questions regarding this submission, in the first instance, please contact Anthony Humphreys on 01872 324506 or [anthony.humphreys@cornwall.gov.uk](mailto:anthony.humphreys@cornwall.gov.uk)

Yours sincerely

A handwritten signature in black ink, appearing to be 'AB', with a small mark to the right.

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