

(Informal Joint) Cabinet



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Fair Funding Review – Response to Government Consultation	
Report No:	CAB/SE/18/015	
Report to and date:	(Informal Joint) FHDC/SEBC Cabinets	27 February 2018
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Purpose of report:	This report summarises the Government’s Fair Funding Review consultation and proposes a draft response on behalf of West Suffolk Councils (St Edmundsbury Borough and Forest Heath District Councils), and proposed handling arrangements.	
Recommendations:	It is <u>RECOMMENDED</u> that Cabinet agrees to the: (1) submission of the draft response attached as Appendix A to Report No: CAB/SE/18/015, to the Ministry of Housing, Communities and Local Government (MHCLG) by 12 March 2018; and (2) proposals for wider influencing associated with local government finance, including the Leaders lobbying MPs.	
Key Decision:	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

<p><i>The decisions made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed.</i></p>	
<p>Consultation:</p>	<ul style="list-style-type: none"> As detailed in the body of this report
<p>Alternative option(s):</p>	<p>Would be to not respond, however this is our opportunity to ensure that the specific challenges that face West Suffolk are fed into this process and recognised in terms of the funding allocation.</p>
<p>Implications:</p>	
<p>Are there any financial implications? <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> The consultation relates to the future funding West Suffolk Council will receive from central Government
<p>Are there any staffing implications? <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p>Are there any ICT implications? <i>If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none">
<p>Are there any legal and/or policy implications? <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> As detailed in the body of this report
<p>Are there any equality implications? <i>If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> The future arrangements for Government funding for West Suffolk Council will take account of the rural nature of the area, which forms part of the current equality impact assessment framework.
<p>Risk/opportunity assessment:</p>	<p>Not applicable</p>
<p>Ward(s) affected:</p>	<p>All Wards</p>
<p>Background papers: <i>(all background papers are to be published on the website and a link included)</i></p>	<p>MHCLG - Fair funding review: a review of relative needs and resources (consultation document link) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/669440/Fair_funding_review_consultation.pdf</p>
<p>Documents attached:</p>	<p>Appendix A – List of Questions asked in the Technical Consultation and proposed responses</p>

1. Fair Funding Review – Background

- 1.1 Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.
- 1.2 Over the past 12 months, DCLG (now MHCLG) has worked with local authorities and the Local Government Association; this work has resulted in this Technical Consultation and associated questions on approach (see Appendix A).
- 1.3 This fair funding review will:
 - set new baseline funding allocation for local authorities in 2020/21 (current timing estimate);
 - bring the assessment of the relative needs of local authorities more up to date;
 - look at the relative resources of local authorities. This includes looking at how council tax and other income are taken into account when redistributing business rates; and
 - focus on services currently funded through the local government finance settlement.
- 1.4 The Government is using a set of principles to guide the work of this fair funding review. These are:
 - Simplicity.
 - Transparency. To make it straightforward to understand the factors that have influenced the results.
 - Contemporary. To use the most up to date information available.
 - Sustainability. Identify factors that drive costs today and in the future.
 - Robustness.
 - Stability. To support long-term funding allocations.
- 1.5 This consultation is specifically concerned with **the measurement of relative need** and is relatively technical as it attempts to set out the formulae that could be used to arrive at an overall allocation figure.
- 1.6 This is our opportunity to ensure that the specific challenges that face West Suffolk are fed into this process and recognised in terms of the funding allocation that we will receive following this review. It should be noted that, given the timing of the review, any changes that come about would only relate to West Suffolk Council, and not to Forest Heath and St Edmundsbury.
- 1.7 It is also important to note that the assessment of relative need would stay the same irrespective of the proportion of business rate retained. The current assumption is that the future scheme will be based on 75%

retention, but the way in which need and therefore baseline funding is calculated would apply even if this proportion were to change.

- 1.8 The scope of the current consultation is the assessment of **relative need** amongst local authorities. It does not cover the assessment of **relative resources**, including how income from council tax will be taken into account. This is due to be covered in a forthcoming technical paper, at which point it is anticipated that West Suffolk will need to engage with Government on the issue of council tax foregone due to the US Visiting Forces presence in the area. It is proposed that West Suffolk should flag our interest in this issue in the current response, and also raise it via our MPs (see below).

2. Proposed cost drivers

- 2.1 The Government is proposing to structure the allocation between a foundation formula, area cost adjustments, locally significant duties and service specific cost drivers.

- 2.2 The foundation formula is proposed to be based on three cost drivers:

- Population (including demographics)
- Rurality
- Deprivation

- 2.3 Of the proposed service specific cost drivers the only current proposal relevant to West Suffolk relates to waste collection and they are:

- Number of Households
- Types of Property
- Travel times
- Deprivation

3. West Suffolk cost drivers

- 3.1 There are several key themes that need to be recognised in terms of areas that drive cost or loss of revenue within West Suffolk. These must be expressed clearly in any response to Government.

- 3.2 Those key themes are:

- The US Visiting Forces presence in the area. Services are provided for US Visiting Forces personnel living in the local community but there is no associated council tax income.
- The cost of providing services across a geographically wide rural area.
- Specific costs such as payment for Internal Drainage Boards are not currently funded (or at least not visibly so). For final version include reference to why its unique to Rural Councils/West Suffolk
- Any allocation must be completely transparent as to how it has been arrived at and simple enough to see how the input data arrived at the conclusion.

- 3.3 Some of these themes are already called out as a focus in the review (rurality, transparency and simplicity) but they should still be highlighted as of critical importance to West Suffolk.
- 3.4 A proposed response to the consultation is attached at Appendix A which seeks to draw out the above themes.

4. Influencing approach

- 4.1 In line with our Strategic Plan ambition of having an influential voice with the Government, it is proposed that we take the opportunity of the consultation to ask to consider how they would like to proceed with lobbying on this issue, particularly around the need to factor in the impact of US Visiting Forces and rurality.

It is recommended that:

- Both Leaders send a joint letter to the local MPs, inviting them to write to the Secretary of State, supporting our approach and flagging the fact that we also have a big interest in the forthcoming work on relative resources due to council tax exemptions for overseas armed forces.
- We share our proposed draft response with the Local Government Association and Rural Services Network, and request that they refer to it in their wider responses.
- We share our proposed response with Suffolk County Council and encourage them to echo our comments, particularly around the need to factor in the impact of US Visiting Forces and rurality.