

Fair Funding Review: a Review of Relative Needs and Resources – Technical Consultation on relative need

These responses will be used to populate the pro-forma provided by the Ministry of Housing Communities and Local Government (MHCLG).

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?

East Sussex County Council believes a sensible approach would be for simplicity and transparency. It should be accessible and be able to be understood by those with appropriate technical knowledge. One of the advantages of simplicity and transparency in a funding system that is materially fair is that it is reasonably predictable, enabling a local authority to plan around its outputs.

East Sussex has considered the Government’s principles identified to guide the review when responding to the questions in this consultation paper. As such the Council believes that any layer of complexity, or adding layers of complexity as a change to the basic principles once set, unless adding material value, diminishes the principles of the review.

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?

In principle yes, however, until the Council understands how the projections would be used as part of the wider formula and how weightings will be applied it is difficult to provide constructive feedback. The data used must be the most current and reliable available. East Sussex County Council would therefore show a preference for forward looking projections which are contemporary.

The Council would like to see a mechanism to enable authorities to challenge unusual results. The Council would also like to see a mechanism to adjust projections if an event occurs between resets that materially affects projections.

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

It is difficult to answer this question without knowing the intended refresh period. It also depends how population feeds into the overall calculation, and any system that updates population would need to update all cost drivers, not just population, for it to still be reflective of its initial purpose.

Additionally, in 2016/17 the Communities and Local Government Committee released a report, 100% Retention of Business Rates: Issues for Consideration, which stated there is quite clearly little or no correlation between population growth and business rates revenue. This lack of correlation would further necessitate update.

The age profile of the population is expected to increase significantly in the next decade, which will increase pressures in Adult Social Care and Health Services. The Council therefore would like to see population forecasts post 2020/21 included in need allocations for each year. This would allow need allocations to reflect the known considerable future demographic demand on services.

East Sussex is an area with limited potential for business rates growth and the Council is therefore concerned about the inherent risk in a system of retained business rates growth, where it is not able to benefit proportionately, and the subsequent impact of not having been able to build up funding levels through growth to deal with adverse increases in demand.

East Sussex business rates growth - excluding inflation - totals £1.3m between 2011 and 2017, a 1% increase. As an area with limited potential for business rates growth, our need would soon become misaligned with the funding available and the system inequitable and unfair. Frequent resets would ensure that the gap cannot get too wide for areas with limited business rate growth like East Sussex.

For the above reasons, the Council would like to see shorter periods between resets, and a system which incorporates pressure triggers (as service led demand grows disproportionately to business rates growth) by which transitional relief schemes are applied if the threshold is reached.

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

The Council agree to the inclusion of rurality and welcome the news that the Ministry will be exploring whether alternative data sources are available to measure or proxy the relative cost of providing services in rural areas. East Sussex would welcome the opportunity to assist the Ministry with this review to ensure currently unfunded pressures are fully funded.

East Sussex County Council sees the consequences of increased costs of delivery of services in rural areas as well as from having a significant coastline. The Council do not think that the current sparsity calculation fully fund these pressures. The cost of providing services in the South East is higher than in other parts of the country for which the Council (unlike elsewhere) receives little, if any, Area Cost Adjustment recompense.

While one of our lower tier authorities receives some “Efficiency Support for Services in Sparse Areas” funding, it seems very modest and provides no recompense for the increased costs of the County Council. We would welcome an in-depth and comprehensive examination of the costs of delivering services as part of the Fair Funding Review.

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?

The Council would agree a revised and fair measure of sparsity is required as the current indicator does not work. The definition should encompass all non-urban areas where service delivery is constrained by restricted public transport access or by less-favourable service provisions that are away from the more densely populated urban and metropolitan areas.

The Council would welcome an in-depth and comprehensive examination of the costs of delivering services as part of the Fair Funding Review.

The Council would like consideration made for:

- coastline (Sussex has 80 miles of coastline)
- significant areas of national parks/Areas of Outstanding Natural Beauty (51% of East Sussex is part of the High Weald Area of Outstanding Natural Beauty and 14% is part of the South Downs National Park)
- agricultural land (East Sussex has 69% of farmed area)

The Council supports the SCT assessment that where rurality increases the need to spend due to increased service demand, then this should be addressed by the “need formula”. However, where rurality is driving up the cost of service delivery, it should be addressed by the Area Cost Adjustment.

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

Any recognition of deprivation needs to be balanced and fair and ensure that it covers the wide variety of types of variation e.g. health, income, education.

There needs to be recognition of the services the County Council provides to the chronically deprived.

Any needs assessment should recognise services that all tiers of local government provide to the chronically deprived. Within East Sussex, Hastings is among the top 20 deprived areas, and in the current system Hastings BC benefits from the deprivation calculation. However, the County Council does not, despite providing services to those in deprived areas (please refer to our answer at Question 4).

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?

As noted in the paragraphs above there are many types of deprivation but those included in the IMD may not always be relevant, and should only be included where it can be demonstrated to impact on the demand for services or in relation to the area cost adjustment, the cost of service.

A possibility could be to use aspects of the Indices of Deprivation, for example:

The number of income deprived in East Sussex is 69,507 or 13%.
See table on ESiF - <https://tinyurl.com/yczxnerp>

The Income Deprivation Domain measures the proportion of the population in an area experiencing deprivation relating to low income. The definition of low income used includes both those people that are out-of-work, and those that are in work but who have low earnings (and who satisfy the respective means tests).

The indicators used to formulate this domain are as follows:

- Adults and children in Income Support families
- Adults and children in income-based Jobseeker's Allowance families (The word 'family' is used to designate a 'benefit unit', that is the claimant, any partner and any dependent children for whom Child Benefit is received).
- Adults and children in income-based Employment and Support Allowance families
- Adults and children in Pension Credit (Guarantee) families
- Adults and children in Working Tax Credit and Child Tax Credit families not already counted, that is those who are not in receipt of Income Support, income-based Jobseeker's Allowance, income-based Employment and Support Allowance or Pension Credit (Guarantee) and whose equivalised income (excluding housing benefit) is below 60 per cent of the median before housing costs
- Asylum seekers in England in receipt of subsistence support, accommodation support, or both

Weighting could be introduced for children and older people using the Income Deprivation Affecting Children Index (IDACI) and Income Deprivation Affecting Older People Index (IDAOPI).

In respect of Children's services the IDACI shows the proportion of children in each lower layer super output area that live in families that are income deprived. This is defined as families in receipt of at least one of the following:

- income-based Jobseekers Allowance or Employment and Support Allowance
- Pension Credit (Guarantee)
- those not in receipt of these benefits but in receipt of Working Tax Credit or Child Tax Credit with an equivalised income (excluding housing benefits) below 60% of the national median before housing costs
- Asylum seekers in receipt of subsistence support, accommodation support or both.

IDACI expresses child poverty as a rate calculated using specific 'at risk' population estimates, which have been published alongside the 2015 ID release.

Children affected by income deprivation in 2012 - super output areas 16,010 (17.4%) see table on ESiF <https://tinyurl.com/z4cof9h>

In respect of Older People, the IDAOPI measures the proportion of the lower layer super output area population aged 60 and over who are in receipt of:

- Income Support
- income-based Jobseekers Allowance or Employment and Support Allowance
- Pension Credit (Guarantee) claimants aged 60 and over and their partners (if also aged 60 and over),
- Working Tax Credit and/or Child Tax Credit (with income below 60% of median)
- Asylum seekers in receipt of subsistence support, accommodation support or both

IDAOPI expresses older people affected by income deprivation as a rate calculated using specific 'at risk' population estimates, which were published by DCLG alongside the IDAOPI.

Older people affected by income deprivation in 2012 - super output areas 21,314 (13.1%) see table on ESiF - <https://tinyurl.com/yckbdlll>

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?

ESCC would like longer to consider other common cost drivers and would want time to review these in the context of further technical papers. Given that that they would link to the services listed in table 2.1 of the consultation document - Local authority responsibility for services in England: Education, Environmental health, Highways, Housing, Leisure, Libraries, Passenger transport, Planning applications, Revenue collection, Social care, Strategic planning, Transport planning, Waste collection, Waste disposal. Please also note our response to Qu7.

Question 9: Do you have views on the approach the Government should take to Area Cost Adjustments?

The Council's view is that anything that impacts on cost of delivery of services should be included in the area cost adjustment.

As noted above, where rurality and the County's large coastline increase service demand, this should be reflected in the cost drivers. However, rurality and the County's large coastline

also impact on the cost of the delivery of services in East Sussex and therefore should be included in any area cost adjustment calculation.

The Council also has concerns regarding the boundaries that are used for the area cost adjustment. East Sussex is currently grouped with areas of significant difference and this therefore has the effect of adversely affecting the outcomes of specific issues. East Sussex would like to see the boundaries/groupings used within the calculation reviewed.

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?

The Council supports the Society of County Treasurers (SCT) response on the inclusion of small amounts of expenditure that are significant for a small number of authorities. However, measures will need to be identified in order ensure this spend is due to additional need not found in other areas. As outlined above, spend data should not be used due to the circularity of regression to spend allocations. Instead it is fundamental that the cause of spending is identified. It may also be the case that this same additional need exists in other local authorities but does result in additional expenditure.

East Sussex County Council feel that any areas which fall outside the scope of Table 2.1 of the consultation document (*Local authority responsibility for services in England: Education, Environmental health, Highways, Housing, Leisure, Libraries, Passenger transport, Planning applications, Revenue collection, Social care, Strategic planning, Transport planning, Waste collection, Waste disposal*) and which are not influenced by the three 'starting point' cost drivers proposed should be funded by specific grants outside the settlement system.

Question 10b): Which services do you think are most significant here?

See answer to 10a.

Question 11a): Do you agree that the cost drivers set out above are the key cost drivers affecting adult social care services?

The Council would welcome the use of expert opinions in Adult Social Care in response to this question.

According to the Office of National Statistics, the population aged 65 and over is projected to grow at the fastest rate compared with other age groups in every region of England. This age group already represents over 25% of the East Sussex population. Adult Social Care (ASC) remains a primary issue for funding for Counties.

Service provision has changed demographically over time and it would be more helpful to provide greater focus on relevant populations who now benefit from services. For older people, most services are now received by those aged over 80, rather than the (much larger) over 65 population which determines the current main formula.

Forecasts of an increasing ageing population coupled with concerns around an inability to raise additional income through business rates creates an issue for East Sussex County Council as the demand for its services is growing at a rate over and above that which it is possible for East Sussex to grow its business rates, therefore the council considers it necessary that for the system to remain equitable, short reset periods are set or pressure triggers in between resets with funding through transitional grants are put in place.

East Sussex County Council feel the number of adults with learning disabilities is a key cost driver in provision of ASC and would like to see this and other relevant health indicators included.

When measuring adults with income and wealth that meet the means test, the rate of depletion should be factored in to reflect potential movement in the intervening years. Market factors for service provision purchased directly by individuals with means will see cost differences between local authority areas.

As there is no correlation between business rate growth and increased demand in this area, population forecasts beyond 2020/21 should be included and updated regularly so that need is reflective of demand.

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?

All data sets should be simple and transparent. The Council feels that use of 2012/13 data is out of date and whatever is used in the future must be current.

Question 12a): Do you agree that these are the key cost drivers affecting children's services?

As per questions 11a above, the Council would welcome the use of expert opinions in Children's services in response to this question.

In East Sussex, however, the proportion of children/young people with recognised high needs, Special Education Needs and Disability (SEND) is above the national average. The number of children in need of support is also starting to rise. The consultation proposed a key cost driver as number of children aged under 18 years, however following SEND reforms and the introduction of "staying put" arrangements children's services now extend to young people up to the age of 25. It is the Council's view that funding need should be assessed in line with this.

East Sussex County Council agrees that disability is a key cost driver however Disability Living Allowance is only part of the story. The Council considers the number of Education Health and Care Plans is a more comprehensive driver as it encompasses a wider range of disabilities such as autism.

With regard to deprivation, please see our response to Question 7 above.

The Council considers sparsity as a key cost driver affecting children's services this includes distance to schools, rurality and availability of public transport are key drivers.

As highlighted in the 2018/19 provisional settlement response East Sussex County Council has a growing need for appropriate funding for our capital requirements to support the services associated with the building of new homes. This includes adequate funding for the provision of school places.

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?

See answers to 12a and 7 above.

Question 13a): Do you agree that these are the key cost drivers affecting routine highways maintenance and concessionary travel services?

As above, the Council would welcome the use of expert opinions in highways maintenance and concessionary travel in response to this question.

The Council considers that current provision for concessionary travel is inadequate. The government should consider its policy on concessionary travel including its delegation to authorities with that responsibility so that they can make their own decisions regarding its funding. The inclusion of the concessionary fares grant into RSG in 2011/12 means that, with the continued reduction in RSG the Council has effectively received an unfunded new burden.

Historical pressure on concessionary fares budgets has meant, in some areas, the difficult decision to offer reduced bus services is masking the true unfairness of the current funding. The Council believes that an approach to funding local services based more on actual service demand drivers and related unit costs could address many of these current issues e.g. number of older people, students, and distance to shops/hospitals/colleges.

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?

See answer to 13a.

Question 14a): Do you have views on what the most suitable cost drivers for local bus support are?

Any measure based on current bus usage will not fairly reflect the current need due to the cuts already made to these services. There are social benefits to local bus provision that cannot be easily measured such as reduced cars on the road, reducing emissions and wear and tear. The Council would therefore support the use of experts in this service area in response to this question.

Question 14b): Do you have views on what the most suitable data sets are to measure the cost drivers for local bus support?

See answer to 14a.

Question 15a): Do you agree that these are the key cost drivers affecting waste collection and disposal services?

As above, the Council would welcome the use of expert opinions in the service area in response to this question.

The Council, however, does not agree that deprivation is a key cost driver affecting waste collection and disposal services and would take the opportunity to urge that in the consideration and development of all cost drivers clear links to demand are provided and agreed. Additionally, types of property would not necessarily effect waste collection and disposal.

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?

The Council would suggest the use of experts in consideration in this service area.

Question 16a): Do you agree these remain the key drivers affecting the cost of delivering fire and rescue services?

This is for the Fire and Rescue Service to respond.

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?

This is for the Fire and Rescue Service to respond.

Question 17a): Do you agree these are the key cost drivers affecting the cost of legacy capital financing?

Provision has historically been made for the cost of funding capital expenditure. Any needs assessment should be as simple and transparent as possible regarding capital legacy funding.

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?

Question 18a): Are there other service areas you think require a more specific funding formula?

East Sussex County Council would like to provide feedback to the significant decision the Ministry has made to roll Public Health Grant into the future settlement and will look to respond more specifically to this upon reviewing the latest Public Health call for evidence and further technical papers.

The Council would like to understand how new and unfunded burdens will fit into the review and would like to see greater transparency around the process of identifying and quantifying these. Additional responsibilities such as the introduction of the national living wage, removal of the public sector pay cap and rise in the number of unaccompanied asylum seeking children have contributed to the pressure on authorities' already tight budgets.

New and unfunded burdens are linked to the principle of sustainability. The pressure in ASC led to the introduction of the Better Care Fund, however funding was simply moved from one area (New Homes) to fund another. This is not a long term solution in addressing national funding shortages and the Ministry needs to be working with local authorities at identifying collaborative ways to introduce new funding into the system.

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?

See answer to 18a.

Question 19: How do you think the Government should decide on the weights of different funding formulas?

The Council feels that supporting data and underlying calculations should be within the checking capability of local managers with appropriate technical skill levels. As such this would rule out computer generated statistical analysis, such as regression and multiple regression methodologies.

Before the Council makes any further specific comments on weighting it needs to understand what will be included. It is the Council's consideration that as part of the overall review, the Ministry should be considering the funding available for distribution. Regardless of which cost drivers are chosen and the weighting attributed, it should be acknowledged that there is not enough funding available in the current system overall. The LGA has estimated £5.8bn shortfall on top of which there is £1.3bn required for ASC now. The Council would urge that the opportunity to reform business rates, making it current for the digital age is taken, to bring more money into the system. Furthermore, that there is recognition that long term solutions to address this national funding shortage are taken and for the Ministry to work jointly with local authorities at identifying collaborative ways to introduce new funding into the system.

Question 20: Do you have views about which statistical techniques the Government should consider when deciding how to weight individual cost drivers?

East Sussex County Council reiterate the view that whatever method is used should be in line with the principles of the review; using most relevant and current data sets available.

The Council feels that it is too early to be addressing which technique is appropriate and would welcome the opportunity to reply more comprehensively once further technical papers have been published.

Question 21: Do you have any comments at this stage on the potential impact of the options outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

There are no apparent impacts on persons who share a protected characteristic. However, austerity measures and the reduction in overall local government funding have clearly affected protected groups.

The County Council is required to provide a range of services to vulnerable people who will have one or more protected characteristics.