

ESCC Proposed FFR2.0 Consultation Response (Draft)

Question 1

What are your views on the updated SFA resulting in zero allocations, and the use of mitigations to avoid zero allocations?

Given that the sector is significantly overspending, then a zero allocation suggests either the formulae are not reflective of needs, or the total core spending power is way below the true needs of local government. Nevertheless, ESCC agrees that mitigations be used to avoid zero allocations.

Question 2

Do you agree with how the government proposes to determine the Isles of Scilly's Settlement Funding Assessment?

Yes

Question 3

Do you agree with the government's plans to simplify the grant landscape?

We welcome the end to competitive bidding and a simplification of grant funding. We agree that the government should be looking to reduce the number of specific grants. However, the needs related to these grants must be reflected in a fair settlement to avoid authorities losing funding and receiving settlement that is less than the needs they face in these areas.

Question 4

Do you agree with the formulae for individual services the government proposes to include?

ESCC agrees that the new RNF cover the main cost drivers. However, we have concerns about how the formulae have been calculated, which is reflected in our responses later in this consultation.

Question 5

Do you agree with the areas of need the government proposes to no longer include in the assessment through the Foundation Formula?

ESCC agrees with the removal of legacy capital finance from the formulae. Through a sound treasury management strategy, we have refinanced to reduce the impact of legacy borrowing and do not believe this should be reflected in a council's assessed needs. ESCC agrees that fixed costs can be removed, providing that the RNF adequately reflect the fixed costs of providing services.

Question 6

Do you agree with the government's approach to calculating the control total shares for the relative needs formulae?

ESCC agrees that using expenditure is a reasonable approach to calculating control total shares.

Question 7

Do you agree with the Labour Cost Adjustment (LCA) and Rates Cost Adjustment (RCA) equations set out in this chapter?

ESCC does not agree with how the Labour Cost Adjustment (LCA) has been calculated. The LCA is based on median wages as a proxy for the labour costs faced by the county. As median wages in East Sussex are approximately 90% of the national average, and the LCA is heavily weighted in the ACA (67% of both the ASC and the Children and Young People's RNFs), ESCC's assessed need have been markedly reduced.

The operational cost of social care is not aligned to local median wages, so our assessed need is lower than the true cost of the fees we pay to our providers to support adults and children with social care needs. We would urge the government to use a more sophisticated approach to the labour cost adjustment based on industry sector wages – in particular health and social care sector in the ASC and Children and Young Peoples RNFs.

Question 8

What are your views on the proposed approach to the Area Cost Adjustment?

As with the previous question, we do not agree with the approach to calculating the LCA using local median wages as a proxy for the labour costs faced by ESCC. However, the principle of including labour costs, rates, remoteness, and the approach to weighting are reasonable.

Question 9

Do you agree or disagree with the inclusion of the Remoteness Adjustment? Do you have any evidence to support or contradict the theory that rural areas face additional costs due to separation from major markets?

ESCC agrees with the Remoteness Adjustment.

In recent years, ESCC has struggled to either attract bidders to tenders, or experienced poor performance once contracted, in a number of service areas due to rurality and remoteness. This includes maintenance contracts, mental health support services, sexual health services and bus services.

This impacts on service cost. For example, published hourly homecare rates in the most rural areas of ESCC are 49.8% higher than the lowest rate in the County – at £35.96 per hour compared to £24.00 per hour.

Question 10

Do you agree with the government's proposal to set a notional Council Tax level at the national average level, to achieve the objective of full equalisation?

ESCC believes that a 100% equalisation is grossly unfair. ESCC would strongly favour a partial equalisation – for example 85%. 100% equalisation means many authorities, including ESCC, will see their overall settlements reduce significantly (assuming overall core spending power increases in line with the CSR), despite recognition of increased need. This is destabilising to the system, will risk the financial sustainability of affected authorities, and impact services provided to residents. To be removing funding for councils that are heavily overspending and rapidly running out of reserves is absurd, only intensifying the idea that these reforms represent a 'shifting of the deckchairs' rather than a fair and just solution to the system of funding in local government.

Alternatively, the council tax base should be adjusted to reflect council tax collection rates. The assumption that these are 100% does not reflect reality and means the resources deduction will be far greater than the amount of council tax that could realistically be collected at the notional rate. An assumed collection rate of 95% would balance reality with incentivising councils to maximise collection.

ESCC would urge that the government recognises that council tax is a local tax. Excessive equalisation undermines the connection between locally raised council tax, and locally funded services. Residents expect their council tax to be spent locally and recognition it is a local tax is required to maintain trust between residents and local authorities.

If council tax equalisation is to be at 100%, based on a council's tax base, then councils should be given greater flexibility on setting council tax otherwise the argument that areas with a high base are more able to mitigate the loss of grant funding is completely undermined.

Question 11

Do you agree with the government's proposal to fully include the impact of mandatory discounts and exemptions in the measure of taxbase?

ESCC agrees with the proposal to fully include these discounts. As local authorities have no influence or control over them, it is correct they are included within the measure of tax base.

Question 12

Do you agree with the government's proposal to use statistical methods to proxy for the impact of Working Age Local Council Tax Support in the measure of taxbase?

Given the vast differences in schemes across the country, ESCC agrees that a proxy is the preferred method.

Question 13

What are your views on the proposed statistical approach to proxy for the impact of Working Age Local Council Tax Support?

ESCC are working through the implication of this.

Question 14

Do you agree with the government's proposal to assume that authorities make no use of their discretionary discount and premium schemes in the measure of taxbase?

ESCC are working through the implication of this.

Question 15

Do you agree with the government's proposal to apply a uniform Council Tax collection rate assumption to all authorities?

ESCC do not agree with this. It is unrealistic to assume 100% collection and means that councils such as ESCC will lose even more from the resources deduction than can realistically be collected. It would be simpler and fairer to apply the national average of 95%, in the same way that the national average has been proposed for Council Tax level.

Question 16

Do you agree with the government's proposal to split or allocate the resource adjustment in multi-tier areas according to the average share in Council Tax receipts in multi-tier areas?

This approach is reasonable

Question 17

Noting a potential trade-off of an increased levy charged on business rate growth for some local authorities, do you agree that the level of Safety Net protection should increase for 2026-27?

Agree

Question 18

Do you agree with the government's proposal to end the New Homes Bonus in the Settlement from 2026-27 and return the funding currently allocated to the Bonus to the core Settlement, distributed via the updated Settlement Funding Assessment?

ESCC agrees with the principal of allocating NHB within the settlement. However, as with other grants rolled into the settlement, this is predicated on the SFA being correct.

Question 19

What measures could the government use to incentivise local authorities to specifically support affordable and sub-market housing?

Not implement 100% council tax equalisation.

Question 20

Are there any further flexibilities that you think could support local decision-making during the transitional period?

Given the government is committed to simplifying the grant landscape consideration could be given to the un-ringfencing of ring-fenced grants.

Question 21

What are the safeguards that would need to go alongside any additional flexibilities?

N/A

Question 22

Do you agree or disagree that we should move local authorities to their updated allocations over the multi-year Settlement?

While ESCC agrees with moving authorities over a transition period, we are concerned with the level of settlement that we will lose over the 3-year period. Where an authorities updated allocations will be lower, it may be preferable to limit annual reductions (e.g. 1% of CT base for example) to protect services and manage financial instability. This would mean some authorities reach their updated allocations sooner than others.

Please provide any additional information, including the impact this measure could have on local authorities' financial sustainability and service provision.

Question 23

Do you agree or disagree that we should use a funding floor to protect as many local authorities' income as possible, at flat cash in each year of the Settlement?

Agree

Please provide any additional information, including on:

- The level of protection or income baseline, considerate of the trade-off with allocating funding according to the updated assessment of need and resources; and
- The possible impacts on local authorities' financial sustainability and service provision.

Question 24

Do you agree or disagree with including projections on residential population?

While ESCC generally agrees with keeping allocations up to date to reflect changes in need, this must be balanced against the desire for certainty of funding allocations to help strategic financial planning. The government could consider a stepped approach when material changes (e.g. over 10%) are seen in areas. Also, flat population growth figures are not reflective of need in areas such as East Sussex, where growth in the older population (and a reduction in the working age population) has resulted, and will continue to result, in increased need that would not be reflected in future allocations based on total population figures. ESCC would prefer an age-related population growth factor to be used.

Question 25

Do you agree or disagree with including projections on Council Tax level?

ESCC disagrees with projecting changes to the council tax rate to inform the resources adjustment over the settlement period. The council tax level assumes how much Council tax rates will be raised, which is a local decision. Residents do not expect this to affect government funding levels. If future funding is impacted based on an assumed rate of council tax (whether that be the referendum principals or historic decisions) then this will undermine future decisions on council tax and removes any link between the amount of tax paid by residents and the services that they receive.

Question 26

Do you agree or disagree with including projections on Council Tax base?

ESCC agrees that, while there is a logic in reflecting the growth in the base, this will exaggerate the impact of a 100% equalisation, which ESCC is strongly opposed to. ESCC would also suggest that factoring council tax base growth in future allocations could disincentivise housebuilding.

Question 27

If you agree, what is your preferred method of projecting residential population, Council Tax level and Council Tax base? Please provide any additional information, including any explanation or evidence for your response and any views on technical delivery

N/A

Question 28

Do you agree with the proposed above approach to determining allocations for areas which reorganise into a single unitary authority along existing geographic boundaries?

Agree

Question 29

Do you agree that, where areas are reorganising into multiple new unitary authorities, they should agree a proposal for the division of existing funding locally, based on any guidance set out by central government?

ESCC does not have a strong view on the proposal to allow existing LA areas that are splitting into more than one authority to determine their own allocations. However, any future funding formula should be fair and consistent, with new areas having their own formal needs assessment.

Please provide any supporting information, including any further information areas would find helpful in guidance.

Question 30

Do you agree that the government should work to reduce unnecessary or disproportionate burden created by statutory duties? If you agree, what specific areas of statutory duties impose significant burden without significant value for residents?

ESCC would agree that the government should work to reduce unnecessary or disproportionate burden created by statutory duties.

Please provide any examples of changes you would like to see to statutory duties, being as specific as possible.

- Reduced range of statutory functions undertaken by Qualified Social Workers
- Funding statutory Special Educational Needs Team and Educational Psychologists from Dedicated Schools Grant
- Introduce means tested charging for home to school transport
- Children's services commissioning: capping profit margins for providers of children's homes, national consistency in approach to placement fees, introduction of post-16 regulations and regionalised commissioning
- Charging for use of Household Waste Recycling Centres
- Charging for concessionary fares and issuing bus passes
- Enforcement for Pavement (footway) parking

Question 31

Do you agree with the proposed framework outlined at paragraph 11.2.3 for assessing whether a fee should be changed?

ESCC would urge the government to increase flexibility for raising fees and charges. ESCC understand that there are certain constraints and the framework the government has set out seems reasonable. However, ESCC would want the review to prioritise increasing flexibility and

trusting local authorities to set the right fee levels that recognise effects on demand, businesses and financial sustainability, to ease the financial strain on local government. Local authorities are best placed to know how to balance the need to maintain fee values and the original policy intent of the fee whilst minimising cost of living impacts for service users, so emphasis should be on devolving decision to local authorities as much as possible.

Please provide any additional information, for example any additional considerations which would strengthen this proposed assessment framework, and any data which would be used to assess against it.

Question 32

The government invites views from respondents on how best to balance the need to maintain fee values and the original policy intent of the fee whilst minimising cost of living impacts for service users.

ESCC would support any move to increase flexibility for raising fees and charges and would urge the government to progress with any review that prioritises increasing flexibility and trusting local authorities to set the right fee levels that recognise effects on demand, businesses and financial sustainability, to ease the financial strain on local government. Local authorities are best placed to know how to balance the need to maintain fee values and the original policy intent of the fee whilst minimising cost of living impacts for service users, so emphasis should be on devolving decision to local authorities as much as possible – for example, by allowing means testing of Home to School Transport and Concessionary Fares.

Question 33

Do you agree that the measures above provide an effective balance between protecting charge payers from excessive increases, while providing authorities with greater control over local revenue raising?

ESCC believes the measures are reasonable.

Please provide a rationale for your response. We are also interested in any further mechanisms which could be applied to fees that are updated or devolved, that will help strike a balance between those objectives.

Question 34

Do you agree that we should take action to update fees before exploring options to devolve certain fees to local government in the longer term?

ESCC does not have a strong view but would again stress the need to move towards a more flexible system.

Question 35

Do you agree or disagree that these are the right relative needs indicators? Are there any other Relative Needs Indicators we should consider? Note that we will not be able to add additional indicators for a 2026-27 update.

Agree

Technical Questions:

Question 36

Do you agree or disagree with including population projections in the ASC formula, when published, that have been rebased using Census 2021 data?

We agree with the principle that adjustments should be based on up-to-date information about the population, and that the size and demographics of the population are relevant to the share of funding a local authority receives. We agree with using Census 2021 data for this purpose.

Question 37

Do you agree or disagree with our proposal to include a Low Income Adjustment (LIA) for the older adults component of the ASC RNF model?

Theoretically, a low-income adjustment to recognise the ability of the population to contribute to their own care is reasonable, and it is recognised that this was first introduced in the 2011 to 2012 LGFS2. However, it is of concern that the government notes 'that the statistical evidence for this relationship is weak' with regards to the use of benefits data. On balance, it may be better to exclude such a measure given that the wealth of the population is already considered within the ACA for adult social care in relation to PIP, DLA and Attendance Allowance, as well as home ownership, all of which may correlate with the capacity for charging and collection. It is also noted that this would have minimal effect on the overall outcome of the allocations (paragraph 12.1.27 of section 2 <https://www.gov.uk/government/consultations/the-fair-funding-review-20>) hence it would be genuinely within the spirit of simplification to remove this adjustment. Therefore, we disagree with the inclusion of the LIA within the ASC RNF model.

Question 38

Do you agree or disagree that the overall ASC RNF should combine the two component allocation shares using weights derived from the national ASC net current expenditure data on younger and older adults (in this case 2023 to 2024)?

If you disagree, what other weightings would you use? Please provide details for why you would use these weights and what data it would be based on?

Agree that the overall ASC RNF should combine the two component allocation shares using the 2023-24 net current expenditure on younger and older adults, a split which should be regularly updated to avoid a drastic shift as this will trigger by updating from 2013-14 data.

However, we feel strongly that the disproportionate cost of supporting the very old population (i.e. over 85s) has not been taken account of in the ASC RNF. For ESCC, we have the largest number of over 85s in the country, East Sussex has one of the oldest populations in the UK and the corresponding rate of dementia and other chronic health conditions inevitably has a drastic impact on the cost of care to meet the statutory Care Act duties, and yet our assessed need for ASC has dropped by 3.4%.

A suggested addition to the formula would be the incorporation of average population age as a factor. Whilst this is somewhat incorporated in both the older adult and younger adult RNF calculations by the adjustments for over 80 years of age (an increase) and for the age group 16-24 (a decrease) it does not reflect that having a consistently older population impacts on the complexity of both population splits, particularly the amount of family support available for the older working age population and the complexity of care required for a generally older population.

Question 39

Do you agree that ethnicity should be removed as a variable in the CYPS formula? Please explain your reasoning.

Agree

Question 40

Do you agree overall that the new formula represents an accurate assessment of need for children and family services? Please share any reflections or suggested changes.

The key indicators of spend for ESCC are deprivation and rurality. Rurality has an impact on the supply of services across a wider area. We are not clear that the factor "travel time to town centre" a proxy for rurality now what does the government consider a town.

Question 41

Do you believe that the components of daytime population inflow should be weighted to reflect their relative impact on demand for services?

The components of daytime population inflow should be weighted to reflect their impact on service demand; however, further details on the proposed system of weighting are needed to make informed comments on this.

Question 42

Do you agree with/have any comments on the design of the Foundation Formula?

It is noted that deprivation is now included as a factor in the foundation formula, which is consistent with the government's targeting of deprivation. As East Sussex is in the least deprived third of LAs in the country, this has been detrimental to ESCC, who have seen our foundation formulae needs assessment drop by 3.3%. However, other factors linked to deprivation have been applied to other areas of the formulae – notable the use of median wages for the Area Cost Adjustment, where ESCC's lower wages will have reduced ESCC's assessed needs.

The removal of specific formulae related to flood defence and coastal protection is also detrimental to councils such as ESCC and we would prefer these cost drivers to be captured in some way in the new Foundation RNF.

Question 43

Do you agree with/have any comments on the design of the Fire and Rescue Formula?

N/A

Question 44

Do you agree with/have any comments on the design of the formula for Highways Maintenance?

ESCC broadly agrees with the simplified approach, with some caveats. The key limitation of this approach is that it assumes that historic spend across local authorities is broadly proportional to historic need. It does not account for current road conditions, the conditions of other assets such as bridges or the backlog of repairs across the country (Annual Local Authority Road Maintenance (ALARM) survey - AIA The Asphalt Industry Alliance). While there are not routinely published data sources to cover all these elements DfT has previously undertaken one-off data collections to gather information for the allocation of funding, and it is difficult to see how funding can be appropriately allocated without this.

Government is proposing to investigate the impact of incorporating climate or weather data at local authority level within the formula. However, they should also look to factor in the engineering geology of an area. Geological and environmental factors were recommended for consideration by DfT in the National Audit Office's report 'The condition and maintenance of local roads in England' (paragraph 2.9 page 31).

Question 45

Do you agree with/have any comments on the design of the formula for Home-to-School-Transport?

While the addition of a specific Home to School Transport RNF is welcome, ESCC does not agree with its calculation. The 20-mile capping risks underfunding authorities like ESCC where long-distance travel is often necessity rather than choice, with around 10% of journeys over 20 miles. These longer journeys are often our most expensive, supporting Alternative Provision and Education Otherwise than at School. ESCC would prefer a tiered weighting system that reflects the cost of longer journeys, rather than excluding them from the calculation.

The straight road formula discounts ESCC's rural roads and appears quite reductive for a big county. It doesn't reflect the reality of our transport networks and East Sussex has limited direct routes, especially to special schools. ESCC would prefer to use actual road distances or a weighted proxy that accounts for rurality/travel time.

ESCC does not know how the figure of SEND travel costing 6.6 times more than mainstream travel was arrived at, nor whether it accounts for regional variation. If ESCC includes public transport (freedom passes) in its costs, the difference is greater than 6.6. This will understate the complexity of provision especially for children who need medical support on transport. There should be consideration of rurality, need for solos, personal assistants or nurses, specialist vehicles, and longer travel times.

Question 46

Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

Local government provides some of the most vital frontline public services to many of the most vulnerable people in society, including many whose needs are linked to or arise from their legally protected characteristics under the Equality Act 2010. Children's and adults' services and social care, public health, libraries, transport, the economy and a host of other provision are critical services that must respond efficiently and effectively to that diverse range of needs. Other more structural indicators, such as levels of deprivation, quality of housing stock, access to transport and socio-economic disadvantage, must also be considered at local level to enable effective interventions.

Responses to day-to-day, one-off and crisis needs must be based on a wide range of up-to-date local population data, recognising that in relation to people sharing some characteristics statistical data is often limited. Residents are highly diverse in their needs, assets and circumstances and in a county like East Sussex there are additional significant differences between and within geographical areas. People sharing some characteristics, such as younger and older people, women, and disabled people, are far more likely to be regularly reliant on local public services. Equally, the needs of groups who are 'seldom heard' and/or under-represented in engagement –

such as children and young people, ethnic minority residents, people experiencing domestic/sexual violence, people receiving benefits – must be specifically factored into consideration as their experiences and perspectives may be even less frequently identified and understood.

Changes to councils' funding can lead to significant redistribution or reduction of resources, reshaping of services, shifting of eligibility criteria, and important changes to people's access to services and opportunities. Changes of this type in social services, healthcare or education have clearly evidenced disproportionate impacts on disabled people, older people, children and young people, women and people from some ethnic minority backgrounds. In addition, people who are LGBTQIA, unpaid carers, experiencing sexual or domestic violence, and/or experiencing socioeconomic disadvantage are often under-identified or not recognised in services, but likely to be affected in similar negative ways by reductions. Changes to funding models for local authorities may also lead to cuts in more universal services that have an important role in improving community cohesion and social inclusion, and in addressing loneliness, such as library services, subsidised transport and support to the VCSE.

To ensure fair and equitable outcomes of the funding review, ongoing assessment of equality impacts will be vital, including engagement with stakeholders to identify potential issues, particularly where data relating to people sharing specific protected characteristics is limited.