

Brighton & Hove City Council Response to the Communities and Local Government Consultation Paper – Local Government Finance Formula Grant Distribution:

CHAPTER 3: ADULTS' PERSONAL SOCIAL SERVICES

Q1 Do you agree that we should update the Low Income Adjustment (OPPSS1)?

Agree

Disagree

Any further comments

The council supports the use of the most up to date data.

CHAPTER 4: POLICE

Q2 Do you agree the activity analysis should be updated, and a three year average used instead of the current two year average (POL1)?

Agree

Disagree

Any further comments

The council believes it is completely unfair that it should lose grant as a result of changes to the Police formulae.

Q3 Do you agree that the log of weighted bars per 100 hectares indicator should be used in place of log of bars per 100 hectares indicator (POL2)?

Agree

Disagree

Any further comments

Not applicable

Q4 Do you agree that the three elements of Additional Rule 2 Grant should be rolled into Principal Formula Police Grant (Main Grant) and therefore distributed as through the Police Allocation Formula (POL3)?

Agree

Disagree

Any further comments

Not applicable

Q5 Do you agree that the whole of Additional Rule 2 Grant should be rolled into Principal Formula Police Grant (Main Grant) and therefore distributed as through the Police Allocation Formula (POL4)?

Agree

Disagree

Any further comments

Not applicable

CHAPTER 5: FIRE & RESCUE

Q6 Do you agree that the expenditure data used to determine the coefficients should be updated (FIR1)?

Agree

Disagree

Any further comments

The council believes it is completely unfair that it should lose grant as a result of changes to the Fire formulae.

Q7 Should annual cashable efficiency savings be added to the updated expenditure data used to determine the coefficients should be updated (FIR2)?

Yes

No

Any further comments

The council believes it is completely unfair that it should lose grant as a result of changes to the Fire formulae.

Q8 Would you prefer either FIR3 or FIR4 as an alternative to the current risk index?

FIR3

FIR4

Any further comments

Not applicable

CHAPTER 6: HIGHWAYS MAINTENANCE

Q9 Do you agree that the daytime visitors component of daytime population per km should be removed (HM1)?

Agree

Disagree

Any further comments

It is very disappointing that it has not been possible to come up with good data for day visitors as this is a key driver of costs in a number of different parts of the formula.

Q10 Do you agree that the expenditure data used to determine the coefficients should be updated (HM2)?

Agree

Disagree

Any further comments

None.

CHAPTER 7: ENVIRONMENTAL, PROTECTIVE & CULTURAL SERVICES

Q11 Do you agree that foreign visitor nights is a suitable replacement for day visitors in the district-level and county-level EPCS RNFs (EPCS1)?

Agree

Disagree

Any further comments

Whilst it is very disappointing that it has not been possible to come up with a measure for day visitors the council believes that it is vitally important that the formula recognises in some way the local spending pressures generated by visitors. In the absence of other data foreign visitor nights should be used as a temporary replacement for day visitors but further work needs to be undertaken to establish an appropriate measure.

Q12 Do you agree that the new GIS-based flood defence formula should be used (EPCS2)?

Agree

Disagree

Any further comments

The use of the GIS data provides a more appropriate basis for the new formula.

Q13 Do you agree that the new GIS-based coast protection formula should be used (EPCS3)?

Agree

Disagree

Any further comments

The proposed new GIS-based data provides a lot more funding for authorities that appear to be more rural and remote (i.e. Cornwall, Isle of Wight, Purbeck and Northumberland). Whereas more populated areas appear to receive less funding (i.e. Sefton, Blackpool, Torbay and Brighton & Hove). The council believes that the weightings applied to the three components need to be adjusted before this formula is introduced to address this imbalance.

CHAPTER 8: AREA COST ADJUSTMENT

Q14 Do you agree with the proposal to update the weights given to the labour cost adjustment (ACA1)?

Agree

Disagree

Any further comments

The council supports the revised weightings as they are based on detailed research.

CHAPTER 10: SCALING FACTOR

Q15 Do you agree think that the scaling factor for the central allocation should be close to one, so that equal importance is attached to the amounts above and below the threshold?

Yes (if yes, please answer Q16)

No

Any further comments

None.

Q16 If so, would you prefer Ministers to be able to set judgemental weights for the Relative Needs Amount (CAS1) or the Relative Resource Amount (CAS2)?

CAS1

CAS2

Any further comments

None.

CHAPTER 11: FLOOR DAMPING LEVELS

Q17 Over the next Spending Review period, do you think that the floor level should be set close to the average change or such that it allows some formula change to come through for authorities above the floor?

Close to the average

Allows formula change to come through

Any further comments

The council believes that the floor level should be set close to the average change because the current formula grant system suffers from significant

weaknesses and inequalities and is therefore not currently fit for purpose. The council welcomes the review of local government finance announced by the Secretary of State due to start next year and believes that this review provides the ideal opportunity to look at the current system and consider proposals to address the weaknesses and inequalities. The weaknesses include a lack of transparency in the 4 block model which produces unexpected and unintended results as well as being extremely difficult to understand with its results being expressed in tiny fractions to 15 decimal places. If the floor level is set well below the average increase then changes generated by the current discredited system may have to be reversed once any new or revised system is put in place.

CHAPTER 12: TRANSFERS AND ADJUSTMENTS

Questions 4 and 5 on Additional Rule 2 grant are shown in the Police section above and not repeated here.

Q18 Which of the four options for removing concessionary travel from lower-tier authorities do you prefer?

- CONCF1
- CONCF2
- CONCF3
- CONCF4

Any further comments

The City Council believes it is seriously under-funded in relation to concessionary travel and that the proposals put forward in the consultation paper do not address the unfair distribution of funding between councils.

Table 1 below compares the notional level of funding received by each unitary council under the current arrangements (derived by apportioning the £795.397m in the consultation paper by the 2010/11 District level EPCS RNF and adding the special grant allocation for 2010/11) with the 2010/11 original budget for concessionary fares (as shown in the CIPFA statistics). Note that overall for these unitary authorities notional funding represents 101.4% of the budget. The table shows that the authorities that are the most under-funded include both tourist destinations and councils with extensive and good quality bus networks. Brighton & Hove falls into both these categories.

The proposal to use spending data to remove funding in the first stage of the transfer will merely sustain the historic funding inequalities as shown in the table and is therefore not acceptable.

TABLE 1: Unitary authorities comparison of notional funding to spend		
Unitary Authority Name / Notional funding as a proportion of spend / Surplus (+) or shortfall (-) in funding		
Thurrock	304.5%	1.7
Rutland	204.0%	0.3
West Berkshire	197.4%	1.1
Bracknell Forest	188.8%	0.9
Herefordshire	183.3%	1.5
Slough	166.6%	1.2
Wokingham	165.6%	0.8
Windsor and Maidenhead	160.5%	0.8
North Lincolnshire	148.3%	0.9
Luton	144.5%	1.5
North East Lincolnshire	142.8%	0.9
East Riding of Yorkshire	140.9%	1.6
Bath & North East Somerset	135.2%	0.9
Telford and the Wrekin	130.4%	0.7
Warrington	129.2%	0.9
North Somerset	121.6%	0.6
Portsmouth	116.7%	0.6
Milton Keynes	115.7%	0.5
Peterborough	114.1%	0.5
Derby	110.1%	0.7
Blackburn with Darwen	108.4%	0.2
Bristol	107.9%	0.6
Leicester	107.5%	0.5
Swindon	103.7%	0.1
Kingston upon Hull	103.3%	0.2
Southampton	99.8%	0.0
Halton	97.7%	-0.1
Medway	92.3%	-0.4
Blackpool	89.2%	-0.6
Stockton-on-Tees	88.9%	-0.4
Reading	88.9%	-0.4
Stoke-on-Trent	88.5%	-0.6
South Gloucestershire	86.1%	-0.6
Redcar and Cleveland	84.2%	-0.5
Poole	83.3%	-0.5
Torbay	83.0%	-0.8
Plymouth	81.9%	-1.1
Hartlepool	81.8%	-0.4

Nottingham	81.6%	-2.1
Southend-on-Sea	78.7%	-0.7
York	77.6%	-1.2
Isle of Wight Council	77.1%	-1.1
Darlington	75.6%	-0.9
Bournemouth	74.9%	-1.2
Middlesbrough	72.2%	-1.1
Brighton & Hove	64.5%	-3.4

Q19 Which of the six options for rolling in concessionary travel to upper-tier authorities do you prefer?

- CONCF5
- CONCF6
- CONCF7
- CONCF8
- CONCF9
- CONCF10

Any further comments

The council believes that the proposed formulae used for distributing resources in the second stage of the transfer largely fail to take into account some of the key drivers of spending. The most significant of these are the quality, frequency and breadth of the local bus service network and the extent to which a council is attractive to visitors from other areas for example for tourism, beach, shopping, leisure, medical, etc. The proposed factors also include one factor that appears to be spuriously correlated to concessionary travel i.e. "country of birth of residents" where the City Council fails to see any link between this factor and any kind of cost driver. There are factors that could be used as proxies for the key cost drivers such as bus patronage, number of concessionary trips undertaken within each TCA, overnight visitors (domestic) or retail floor space. However, these factors may not meet the stringent data requirements of formula grant so the City Council strongly supports the distribution of all concessionary travel funding by special grant where there can be more flexibility over the types of data used. There is a further strong argument for using special grant in that the way bus operators are currently reimbursed for concessionary trips is under review and any proposals will undoubtedly impact upon spending patterns across the country. The distribution of funding therefore needs to be flexible enough to take into account any changes that are made to the reimbursement system and only by using special grant could this flexibility be achieved.

The exemplifications given in the consultation document are extremely difficult to make sense of particularly from the results of applying floor damping. Some of the bizarre and inexplicable results from an examination of the unitary council exemplifications are listed below.

- The application of floor damping has moved some authorities from gaining grant to losing grant and in the same option has moved some authorities from losing grant to gaining grant. How is this possible?
- A number of authorities losing grant before floor damping lose even more after the application of floor damping. Similarly under the same option some authorities gaining grant before floor damping gain even more after the application of floor damping. The purpose of floor damping is to damp changes not enhance them.
- Specifically for the Brighton & Hove exemplifications, set out in table 1, it is not possible to determine the logic whereby option 4 produces nearly 5 times the grant gain of option 3 after damping but after applying identical methodologies for adding concessionary travel back in produces consistently lower grant gains and in some cases grant losses.

The council believes that the bizarre and inexplicable exemplification results provide a compelling case alone for concessionary fares funding to be distributed outside of the formula grant system.

TABLE 2: Results of exemplifications for Brighton & Hove City Council
Exemplifications based on option 3 for adjusting the base position for lower-tier authorities Exemplifications based on option 4 for adjusting the base position for lower-tier authorities

	Grant change before floor damping		Grant change after floor damping		
	Grant change before floor damping	Grant change after floor damping	Grant change before floor damping	Grant change after floor damping	
Option	£ million	£ million	Option	£ million	
3	+1.966	+0.319	4	+1.966	+1.488
5	+0.986	+0.306	11	+0.986	+0.196
6	+0.986	+0.104	12	+0.986	-0.114
7	+0.976	+0.415	13	+0.976	+0.196
8	+0.976	+0.105	14	+0.976	-0.113
9	+1.124	+0.524	15	+1.124	+0.306
10	+1.124	+0.243	16	+1.124	+0.025
Introduces bus density into formulae					
29	+0.799	+0.306	33	+0.799	+0.196
30	+0.799	-0.042	34	+0.799	-0.151
31	+4.543	+0.524	35	+4.543	+0.306
32	+4.543	+1.002	36	+4.543	+0.782
Options for adjusting the base position for lower-tier authorities that have not been exemplified					
1	+1.600	+0.218	2	+1.600	+1.380

Further options not exemplified based on option 1 are options 17 to 22; and options 37 to 40. Further options not exemplified based on option 2 are options 23 to 28; and options 41 to 44.

Although the council does not agree with the inclusion of concessionary fares within formula grant we would comment as follows on the CLG options.

- Firstly, the council supported the allocation methodology adopted to distribute special grant in 2009/10 and therefore prefers the use of this allocation to adjust the base position for the Special Grant Transfer.
- Secondly, the council believes that regression against concessionary trips provides the fairest option for determining the distribution formula because the number of trips cannot be influenced by the local authority whereas expenditure can be influenced through the reimbursement rate agreed with the local bus operators.
- Thirdly, the council believes that some measure of the scale of the bus network must be included in the formulae.

On the basis of these principles the council prefers options 31, 35, 39 and 43. The council does not have a preference amongst these options because all the options to adjust the base position for lower-tier authorities sustain the current unfair resource distribution to a large extent.

The council agrees that the methodology under-pinning option 45 is not sustainable and therefore cannot support this option particularly as it results in most unitary councils (69%) losing grant after damping some £17.3m in total.

Q20 Should concessionary travel have its own sub-block (within the EPCS block)?

- Yes
- No

Any further comments

If concessionary fares funding remains within formula grant then for transparency reasons it should have its own sub-block. The council is concerned about the future level of funding allocated to concessionary travel and the ability locally to deliver savings.

Regarding efficiency savings as a result of the transfer, administration costs are a tiny proportion of the overall budget of the City Council accounting for less than 1% of the total and although we will be looking to continue to reduce the cost and improve the effectiveness of this service the savings will be minimal. Any savings from moving the age for eligibility gradually upwards will be outweighed by the ongoing increase in the elderly population and the

improved health and therefore mobility of this age group. The number of concessionary trips in the city continues to rise and the service is hugely popular. The City Council forecasts this budget to increase at about 5% per annum for the next 3 years and this is on the assumption that there will be minimal increases in local bus fares. Any funding cuts in concessionary travel will therefore have to be met savings in other services provided by the council.

Q21 Do you agree with the methodology for adjusting the base position for unadopted drains?

Yes

No

Any further comments

The use of all properties is unlikely to properly reflect the distribution of unadopted drains across local authority areas. A suggested improvement would be to exclude the number of flats and council houses in each local authority area.

CHAPTER 13: THE INCAPACITY BENEFIT AND SEVERE DISABLEMENT ALLOWANCE

Q22 Do you agree that the incapacity benefit and severe disablement allowance indicator should use quarterly data rather than annual data (DATA1)?

Agree

Disagree

Any further comments

The council supports the use of the most up to date data.

CHAPTER 14: REPLACING THE CHILDREN'S INCOME SUPPORT BENEFIT INDICATOR

Q23 Do you agree that children in out-of-work families receiving Child Tax Credit (CTC) should replace the current children of Income Support / (income-based) Jobseeker's Allowance claimants (DATA2)?

Agree

Disagree

Any further comments

The council does not support CTC replacing the current children of IS/(IB)JSA claimants indicator due to the major distributional effects this has across authorities. The exemplifications for this potential change shift a total of £140.1m between individual authorities, with £87.9m being removed from metropolitan and shire areas into the London area. The council would need to see more empirical evidence that this major redistribution is justified before the proposed change is made.

CHAPTER 15: STUDENT EXEMPTIONS AND THE COUNCIL TAXBASE

Q24 Would you prefer that May data only is used for the student exemptions adjustment in the taxbase projections (DATA3)?

Yes

No

Any further comments

As an authority that has a high level of student exemptions we can confirm that May provides a better reflection of the number of student exemptions in place.

CHAPTER 16: UPDATING DATA ON LOW ACHIEVING ETHNIC GROUPS

Q25 Do you agree that the new definition of secondary school pupils in low achieving ethnic groups should be used (DATA4)?

Agree

Disagree

Any further comments

The council supports the change as it is based on a more detailed analysis of achievement and attainment data.

ANY OTHER COMMENTS

Do you have any alternative proposals?

Do you have any other comments?

4 block model

The council believes that the 4 block model lacks transparency, is technically unstable and produces unexpected and unintended results. The council therefore supports the investigation of a new transparent model as part of the local government finance review due to start next year.

ADDITIONAL OPTIONS

The following section contains any additional options that have been requested by authorities during the consultation period, and where it has been possible to prepare an option for circulation during the consultation period.

Additional Q1:

Do you agree that we should treat the City of London as two notional authorities for floor damping purposes (DAMP1)?

Agree

Disagree

Any further comments

This is consistent with the treatment of other police services within the Formula Grant system.

Thank you for completing this response form.

