

The Local Government Finance – Formula Grant Distribution consultation

Analysis of Responses

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Introduction

Background

1. This document analyses the responses received to the consultation paper “Local Government Finance – Formula Grant Distribution”. The consultation document, which can be found [here](#) on the ODPM website¹, was published on the 8th of July 2002 by the Office of the Deputy Prime Minister (ODPM.) It followed a policy and technical development process that started with the publication in September 2000 of a Green Paper “[Modernising Local Government Finance](#)”².
2. That Green Paper asked for views on the basic form of the system. Following that, the Government set out its intentions for revenue grant distribution in Chapter 3 of Part II of the December 2001 White Paper “[Strong Local Leadership – Quality Public Services](#)”³. The new system would be similar to the old, in that it would distribute grant by use of formulae and an assessment of authorities’ ability to raise resources via council tax.
3. After an additional period of technical work and discussion between central and local government on the shape and functioning of the new formulae, technical reports recording those discussions were published. This summer’s consultation document drew on these reports in order to set out how the aims and principles for the new system might be implemented in terms of new formulae. It showed (as far as possible at the time of publication) what the distributional consequences of the different options would be.
4. The consultation ran for the standard period of twelve weeks, formally closing on the 30th of September 2002.

The consultation options

5. The consultation options were grouped into chapters according to the services or components of the system to which they related. Respondents were asked for their views on which of the options they preferred, and whether they had any alternatives that they would wish to see implemented instead.
6. In addition to the options that were formally consulted on, ODPM officials developed further, alternative reforms at the request of various local authorities. The Government did not take a view on whether they could form an acceptable way forward before they were made available, so they should not be regarded as having being formally consulted upon by the Government. They were produced only to aid authorities in responding to the consultation. [Details and exemplifications](#)⁴ of them can also be found on the ODPM website.

¹ <http://www.local.odpm.gov.uk/review/consult/index.htm>

² <http://www.local.odpm.gov.uk/greenpap/index.htm>

³ <http://www.local-regions.odpm.gov.uk/sll/index.htm>

⁴ <http://www.local.odpm.gov.uk/review/consult/addexemp.htm>

Analysing the responses

7. A very large number of responses were received to the consultation – around 55,000 in total. 1141 of the written responses were received from local authorities and their representative bodies, other organisations, members of the public, and MPs. However the great majority - about 54,000 - were sent as part of various campaigns relating to levels of education funding. It has not been practicable to do a precise count of the overall total, because a high proportion of the campaign responses, perhaps between 25-50%, were duplicate letters sent by the same respondent to more than one department or Minister. Several petitions were also received.

8. All of the non-campaign responses have been read and considered, and the points made by campaigns have been considered, as the new system has been developed. Basic numerical analyses of the responses together with lists of the main comments received are included under each separate chapter heading.

9. Deciding how to do this was not a simple task, because many responses were received that mentioned or commented on issues without explicitly expressing a preference for one of the exemplified options, which makes them very difficult to include in numerical analyses. Treatment of opposition to particular options was also difficult for most options, since some respondents specifically said they would not wish to see an option adopted whilst others left that as an implicit assumption to be drawn from their general comments or explicit support for alternative approaches. Others supported more than one option for each issue.

10. The general approach taken has been to attempt a summary showing the overall level of support and rejection for each option. Individual issues have been treated slightly differently in terms of analysis by class of authority; where it was possible to pick out a trend in terms of specific additional options mentioned (e.g. for education), that has been reflected in the analysis. Where it was not, a breakdown of support (but not rejection) by class of authority is provided. So, whilst the numbers given reflect the balance of positive preferences between options at class of authority level they do not necessarily give an absolute measure of support as compared to opposition. To help, the total number of responses received has been shown where appropriate, so the reader can gauge the absolute as well as relative level of support each option received from each type of respondent.

11. Also, there are different numbers of councils in each class (for instance, there are more shire districts than any other type of authority, while their populations are generally smaller than other authorities) and the consultation options usually have different distributive impacts according to class of authority. Therefore, caution should be used in interpreting the numerical analyses, and in particular assigning or attributing views to a precise number of respondents.

12. In addition, we have attempted to reflect commonly expressed views in the written summaries of main comments received.

13. A number of responses were received after the closing date on the 30th of September. We have attempted to consider these, but they have been separated out in the numerical analyses of responses.

14. In summary, this is not intended to be either an exhaustive list of all of the views expressed or a definitive and precise numerical analysis. It is instead intended to reflect the breadth and thrust of views expressed, as far as is reasonably possible in any summary form.

Next steps

15. This paper is not intended to show or reflect officials' or Ministers' judgements regarding the consultation options, the responses to it that were received or a justification of the new system. Instead, the Government's response to the consultation is being published in parallel with this paper, as part of the proposals for the 2003/04 local government finance settlement. Those can be accessed on the [ODPM website](http://www.local.odpm.gov.uk/finance/0304/grant.htm)¹.

¹ <http://www.local.odpm.gov.uk/finance/0304/grant.htm>

Principles

16. [Chapter 1](#)¹ of the consultation document set out the aims, principles and intended foundations for the new grant distribution system. It made clear that the new system would continue to be based on blocks of formulae relating to the services provided by local authorities:

- Education;
- Personal Social Services (PSS);
- Police;
- Fire;
- Environmental, Protective and Cultural Services (EPCS);
- Highways Maintenance; and
- Capital Finance.

17. It stated that, where possible, each new formula would take the form

Allocation = basic allocation per unit (e.g. per pupil, or km of road)

+ a top up for deprivation

+ a top-up for pay costs

+ top-ups for other costs (e.g. sparsity, number of inward commuters, etc.).

18. Possible formulae for each of the service blocks were put forward on this basis, together with options for issues such as how to reform the area cost adjustment and other similar cross-cutting issues.

Number of responses

19. 959 written responses were received before the consultation formally closed, with 182 received shortly afterwards.

Type of respondent	No. of in time responses	No. of late responses
Metropolitan district	39	5
London Authority (inc. GLA and City of London)	39	4
Shire County	49	2
Shire Unitary	44	5
Shire District	166	10
Police Authority/Constabulary	23	3
Fire Authority	27	2
Parish Council	13	46
Local Authority Association/Special Interest Group	32	2
LA Councillor(s)	8	2
Local Authority Officer(s)	1	0

¹ <http://www.local.odpm.gov.uk/review/consult/intro.pdf>

Passenger Transport Authority	1	0
Education interest	201	40
Business/Business Organisation	5	0
Political grouping	28	0
Member(s) of Parliament	107	5
Member of the European Parliament	1	0
Member of the Public	140	38
Voluntary Sector Organisation	5	3
Other Representative Organisation	20	9
Academic	2	0
NDPB	2	6
Trade Union	6	0
	<u>959</u>	<u>182</u>

Other responses

20. Government also received 4 petitions. Education funding in particular was the subject of a number of campaigns that are detailed in the education section. In addition, both Ministers and Government officials held discussions and meetings with various interested parties, including local authorities and members of Parliament. There was also a formal debate in the House of Commons on the issue.

Summary of main points made

21. Although no specific options were posed with regard to the principles in the consultation document, a number of comments were received from respondents. Some of the points that were made were:

- the current distribution of grant at regional or local authority level is technically wrong, unfair, or otherwise unjustified and should be changed;
- the principles set out in the consultation document were welcomed, though many echo the consultation document's recognition that any formula-based system will inevitably lead to a degree of rough justice;
- intelligibility and transparency are useful aims, but they should not be allowed to lead to over-simplification or unfairness;
- further research was called for on a number of issues;
- formulae should be based on evidence and be technically robust;
- where judgement is necessary, it should be made explicit;
- implementing the new system should not be delayed;
- the total level of resources should be sufficient to fund the services the public demand;

- distribution of funding should be based on “need”.

Education

22. [Chapter 2](#)¹ of the consultation document set out options for reforming the education funding allocation formulae.

Consultation options

23. The options focused on measurement and treatment of deprivation/additional educational need (AEN) and pay costs within the schools' allocation formulae. The table below summarises the four options:

Option	Deprivation Indicator	AEN Unit Cost	Deprivation Threshold	ACA
EDU1	IS*	Met & Unmet Needs	Low – 5 LEAs	Current
EDU2	IS and WFTC [§]	Met Needs Only	High – 50 LEAs	Current
EDU3	IS and WFTC	Met & Unmet Needs	Medium – 30 LEAs	Current
EDU4	IS	Met needs only	Low – 5 LEAs	House Price

* Income Support

§ Working Families Tax Credit

Additional exemplifications

24. No additional exemplifications were provided. However, the F40 campaign proposed an "Option 5" which contained a very high threshold for receiving a deprivation top-up (with 80-120 authorities to be below the threshold). Other campaigns and responses also called for the development of other options that would benefit the area in question.

Number of responses

25. As noted above, a very large number of responses were received as part of campaigns on levels of education funding in particular authorities and groups of authorities. Most rejected the four options put forward in favour of developing new options that allocated more resources to the authorities concerned. Details of these campaigns are given below. 703 non-campaign responses were received, including 150 from local authorities.

Numerical analysis

26. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
EDU1	36	5	545	78
EDU2	86	12	275	39
EDU3	24	3	495	70

¹ <http://www.local.odpm.gov.uk/review/consult/edu.pdf>

EDU4	27	4	540	77
Other option	530	75	-	-

27. The responses can also be broken down by support per class of authority:

	EDU1		EDU2		EDU3		EDU4		Other	
	No.	%	No.	%	No.	%	No.	%	No.	%
London Boroughs	17	31	4	7	2	4	9	16	23	42
Met Districts	5	11	2	4	9	20	3	7	27	59
Shire Counties	2	3	23	34	1	1	1	1	41	60
Shire Unitaries	7	11	9	15	5	8	4	6	37	60
Shire Districts	-	-	2	22	-	-	-	-	7	78
Other Responses inc. education interests	5	1	45	10	7	2	9	2	394	86

Late responses

28. A total of 140 late responses (other than campaign responses) were received.

Option	Support		Support	
	No.	%	%	No.
EDU1	10	7	120	86
EDU2	5	4	70	50
EDU3	3	2	105	75
EDU4	3	2	125	89
Other option	119	85	-	-

29. Support by class of authority:

	EDU1		EDU2		EDU 3		EDU4		Other	
	No.	%	No.	%	No.	%	No.	%	No.	%
London Boroughs	2	40	-	-	1	20	1	20	1	20
Met Districts	3	28	-	-	-	-	1	9	7	64
Shire Counties	-	-	-	-	-	-	-	-	-	-
Shire Unitaries	1	17	1	17	1	17	-	-	3	50
Shire Districts	1	20	-	-	-	-	-	-	4	80
Other Responses	3	3	4	3	1	1	1	1	104	92

Summary of main general (non-campaign) comments

30. The main comments received were:

- Views on the best measure of poverty were divided. Five authorities would prefer Income Support (IS) only, with sixteen (mainly counties) favouring the inclusion of Working Families Tax Credit alongside IS.
- A number of respondents argued for the inclusion of met additional educational needs only, with slightly fewer preferring met and unmet needs. Authorities from both groups argue for more resources to be made available if unmet needs are to be incorporated.
- A wide variety of views were expressed about the choice of AEN threshold. The proposed operation of the threshold did not seem to be fully understood by all respondents. The majority of respondents either opposed a threshold outright or argued for a zero threshold. The concept of levelling up authorities' deprivation scores to a threshold is challenged by some.
- The use of house prices for the ACA was opposed on a variety of grounds. Some expressed a preference for a consistent approach between education and other services. Others challenged the subjective nature of the approach. A small number of authorities support the use of house prices or say that the approach warrants further consideration.
- Explicit support for the f40 group's Option 5 was expressed by a number of authorities, plus many individuals and MPs. Some respondents addressed the balance between provision for AEN and the basic entitlement. Many respondents expressed concern that the work of the Activity Led Funding Sub-group was not completed and that accordingly the basic entitlement is not needs-driven, but simply the residual after providing for the ACA and AEN.
- The LEA/Schools split was generally supported, though some concerns were expressed about the precise boundary (e.g. in which block SEN transport should be placed) and potential difficulties for authorities with outsourced education services.
- SIGOMA wanted further work to look at measures which better captured their high levels of general deprivation, principally the Index of Multiple Deprivation, or to look at benefits other than IS and WFTC. They expressed concern about the level of funding going to English as an Additional Language and Ethnicity.
- There were concerns from a number of sparse authorities that sparsity is not reflected properly in the new system, in particular that a factor should be included in the secondary formula and that additional funding should be given to very sparse authorities.
- The use of English as an Additional Language in the primary sector was generally supported, but some metropolitan and unitary authorities questioned the use of ethnicity in the secondary sub block. They argued

for the use of more direct measures of social deprivation such as the Indices of Multiple Deprivation or key benefits data.

- Concern was expressed about the potential redistributive impact of transferring specific grants, in particular Infant Class Sizes Grant, back into SSA.
- A number of smaller LEAs argued for a separate fixed LEA block cost factor. There is also support for an activity led approach to the LEA block.
- Separate protection for the LEA block to go alongside the real-terms guarantee for schools was also proposed.
- Some authorities argued for greater weighting for sparsity within the LEA block and for its inclusion within the secondary and under-5s sub-blocks.
- London Boroughs argued that pupil mobility is under-recognised as an issue. This was raised alongside concerns about the resident-based nature of Income Support data. A request was made for the introduction of a separate grant to cope with influxes of pupils from overseas.
- Some respondents expressed the view that the introduction of a separate damping mechanism for education, alongside general floors and ceilings, will add to the complexity of the new system.

Summary of campaigns

31. The campaigns that responded were:

The **F40 Group** supported none of the four options outright. A fifth option based on option 2 but with a higher basic allowance per pupil and a reduced AEN weighting is proposed. Aspects of Option EDU2 were supported: the use of WFTC and met needs only. The Group's objective is to maximise the basic entitlement per pupil and see a system where the gap between the best funded and worst funded authorities is reduced. The Group considers that the Government's target of raising attainment will only be achieved if funding for all pupils is levelled up and that the increase in resources in SR2002 provides that opportunity. Concern was expressed that the work of the Activity Led Funding group was not completed prior to consultation.

Devon County Council ran a campaign on distribution of school transport funding. Letters were also received from Devon primary schools about levels of funding. A petition of 54,000 was handed in supporting this.

Hampshire primary schools pressed the case for redressing the balance between primary and secondary schools, urging decisions to be based on Activity Led Funding.

Lancashire schools opposed all four of the proposed options. They object to the use of housing price differentials and object to the basic entitlement being the sum remaining after AEN has been calculated. They regard the emphasis on ethnicity rather than deprivation as racially prejudicial. They call for fairer proposals that would include: a basic entitlement grant, based on a realistic sum per pupil; an additional Educational Need grant which is deprivation-based; and activity-based funding.

Stockport Schools argue that the work of the Activity Led Funding sub-group should be completed and that AEN funding should not be based on Income Support but on alternative measures.

Nottinghamshire schools called for an increased per-pupil allocation in order to reduce the funding gap. Some of the responses supported F40's option 5.

Worcestershire schools pointed out that EDU2 offers the best chance of reducing the gap between the best and the worst funded authorities but that more resources should be distributed through basic allocation for each pupil and less through enhancements for deprivation and Area Cost Adjustment.

Lincolnshire schools and parents complained that the 4 options increase the funding discrimination against pupils in Lincolnshire. Lincolnshire schools also organised a petition on schools funding, gathering approximately 30850 signatures.

Wiltshire schools and parents argued for a fairer deal and supported the F40's option 5.

Cornwall Governors requested that education formula options be reconsidered.

Essex Headteachers argued for a higher per-pupil allocation. Some supported option EDU2.

Portsmouth education interests argued against transferring money away from their area.

West Sussex residents public sent in 8 letters (all late) calling for a fair deal for their county, pointing out that the education options do not deliver the increases apparent from SR2002.

Gloucestershire Headteachers and Governors requested fairer funding and supported the F40 campaign.

Shropshire schools organised several campaigns for more funding.

Bury residents also conducted a schools funding campaign.

Cheshire's campaign letters arrived mainly from several campaigning schools

Widnes/ Halton area asked the Government to reconsider plans so as to give them more funding.

Personal social services

32. [Chapter 3](#)¹ of the consultation document set out options for reforming the Personal Social Services (PSS) formulae. It was divided up into three sections, one for each of the sub blocks covering Children, Other Adults, and Elderly People's services.

General Comments on Social Services

33. There were some generalised comments made in relation to PSS:

- Significant numbers of responses raised concerns about the overall level of funding provided for social services. Some went on to argue that the basic amounts needed to be set as high as possible.
- London authorities argued that the options did not recognise the impact of transient households and individuals on the demand for social services.

Part 1: Children's Social Services

Consultation options

34. All of the options for children's PSS focused on treatment of fostering costs.

- Option SSC1 kept the existing foster care adjustment, and increases the weight given to it from 17.5% to 19.4%, in line with updated expenditure information.
- Option SSC2 kept these same indicators used in the current adjustment but updated the regression that determines how much weight each indicator should be given from data for 1995/6 to 2000/1. The updated adjustment is then given a weight of 19.4% as in SSC1.
- Option SSC3 was a new foster care adjustment developed by the Thomas Coram Institute, which includes measures of ethnicity and social class.

Additional exemplifications

35. In addition, the following exemplifications were made available during consultation:

- Removing the Foster Cost Adjustment altogether
- Dropping Children Living in Flats as a deprivation indicator
- Using married women instead of social class in option SSC3.

¹ <http://www.local.odpm.gov.uk/review/consult/pss.pdf>

Number of responses

36. In total 149 responses were received that mentioned children's social services. 116 of these were from local authorities.

Numerical analysis

37. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
SSC1	4	3	40	27
SSC2	57	38	26	17
SSC3	25	17	31	21

38. The responses can also be broken down by support per class of authority:

	SSC1		SSC2		SSC3		(total all consultation responses) No.
	No.	%	No.	%	No.	%	
London Boroughs	-	-	1	14	6	86	39
Met Districts	-	-	17	100	-	-	39
Shire Counties	1	4	18	64	9	22	49
Shire Unitaries	2	10	13	65	5	25	44
Shire Districts	-	-	1	50	1	50	166
Other Responses	1	13	7	87	-	-	225

Late Responses

39. In addition, 18 responses that commented on PSS for children were received after the consultation closed.

Option	Support		Reject	
	No.	%	No.	%
SSC1	-	-	2	11
SSC2	5	28	2	11
SSC3	1	6	3	17

40. Support per class of authority:

	SSC1		SSC2		SSC3		All late consultation responses	
	No.	%	No.	%	No.	%	No	
London Boroughs	-	-	-	-	-	-	4	
Met Districts	-	-	2	100	-	-	5	
Shire Counties	-	-	-	-	-	-	2	
Shire Unitaries	-	-	1	100	-	-	5	
Shire Districts	-	-	-	-	-	-	10	
Others	-	-	2	100	-	-	73	

Summary of Main Comments Received

41. The main comments received were:

- A significant number of non-London responses argued that the foster cost adjustment has become a duplicate ACA, is technically weak, and that therefore there is a strong case for removing the adjustment from the formula all together.
- There was almost no support for option SSC1 on the grounds that it does not update the underlying expenditure data, and so would be inconsistent with other options in the consultation paper.
- "Children living in flats" was described as a poor indicator of deprivation, particularly for London.
- While high ethnicity authorities welcomed the potential inclusion of ethnicity, a case was put forward for increasing the weight given to it judgementally. This was on the grounds that 1991 Census data is out-of-date, and the number of ethnic minority children has increased significantly since then.
- That income support does not capture the diverse range of benefits support that is available.
- Technical concerns about the quality of both the 'York' formula and the foster care adjustment, and that they were not properly reflecting the additional costs faced by authorities.
- The majority of the London responses supported no change to the existing formula.

PSS part 2: Social Services for Other Adults

Consultation options

42. The formal consultation options were:

- Option SSO1 retained regression analysis of spending patterns, but updates the expenditure data from 1990/1 to 2000/1. It also simplifies the existing 12 indicators down to three: income support, single people living away from their families, and those living in public sector rented flats.
- Option SSO2 was as SSO1, but rather than simplifying the number of indicators down to three, it keeps the existing 12, thus including ethnicity. The 12 indicators are combined into two composite indices as now.
- Option SSO3 introduced a separate formula for Mental Health. This separate mental health formula was developed during the review by the County Councils Network. It is based on analysis that looks at activity rates in small areas to move away from regression against past spending.

Additional exemplifications

43. In addition, the following exemplification was made available during consultation:

- Using working families tax credit in option SSO1

Number of responses

44. In total we received 148 responses that mentioned services for younger adults. 116 of these were from local authorities.

Numerical analysis

45. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
SSO1	14	9	32	22
SSO2	10	7	31	21
SSO3	75	51	34	23

46. The responses can also be broken down by support per class of authority:

	SSO1	SSO2	SSO3	(total all consultation responses)

	No.	%	No.	%	No.	%	No.
London Boroughs	-	-	2	66	1	33	39
Met Districts	4	18	1	5	17	77	39
Shire Counties	-	-	3	9	30	81	49
Shire Unitaries	7	30	3	11	13	59	44
Shire Districts	-	-	-	-	2	100	166
Others	3	19	12	75	1	6	225

Late Responses

47. In addition, 17 responses that referred to PSS for other adults were received.

Option	Support		Reject	
	No.	%	No.	%
SSO1	2	12	2	12
SSO2	1	6	2	12
SSO3	3	18	3	18

48. Support per class of authority:

	SSO1		SSO2		SSO3		Late consultation responses
	No.	%	No.	%	No.	%	No.
London Boroughs	-	-	-	-	-	-	4
Met Districts	-	-	1	50	1	50	5
Shire Counties	-	-	-	-	-	-	2
Shire Unitaries	2	100	-	-	-	-	5
Shire Districts	-	-	-	-	-	-	10
Others	-	-	-	-	2	100	73

Summary of main comments received

49. The main comments received were:

- Outside London, significant numbers of responses favoured the separate formula for mental health that was developed by the County Council Network (SSO3), though some responses recognised that further work is required to develop it fully. Many of these responses mentioned that the approach helped move away from regression against past spending. A number of responses noted, and supported, the inclusion of the IMD health domain in this option.
- As with the Children's PSS options, a number of responses felt that income support is too narrow a measure of benefits. The inclusion of Working Families Tax Credit was mentioned in particular.

- Responses were mixed about whether to use 3 indicators of deprivation (SSO1) or 12 as in the existing formula (SSO2). Some responses favoured the simplification, others thought that three indicators would be too narrow a measure of deprivation. Others did not object to simplification, provided ethnicity was one of the indicators included.
- London responses mostly argued that the options were not good at identifying the factors that reflect needs in the capital. No change to the existing formula was supported.

PSS Part 3: Social Services for Older People

Consultation options

50. The options for elderly people's PSS included ways of combining the current formulae for residential and domiciliary care, or continuing to treat them separately.

- Option SSR1 was an update of the current residential formula and income from charges adjustment.
- Option SSR2 was the same as option SSR1 but changed the basis of the population used to include the number of elderly people in residential care supported by authorities, regardless of where they are placed.
- Option SSD1 was an update of the existing approach which also recognises that there is considerable variation in the intensity of service use by different clients, that also has an increased weighting for sparsity.
- Option SSE1 used the combined formula for residential and domiciliary care, excluding ethnicity and had an increased sparsity weighting of 1%.
- Option SSE2 was as SSE1 but changed the population basis from the total resident population, to the household population plus the number of elderly people in residential care supported by the authority (as in SSR2).
- Option SSE3 was as SSE2 but included ethnicity.

Additional exemplifications

51. In addition, the following exemplifications were made available during consultation:

- Increasing the sparsity weight in all the formal options to 5%.
- As SSE3, but with judgmental increases to the weights given to rented accommodation and income support.

Number of responses

52. In total we received 156 responses that mentioned social services for older people. 121 of these were from local authorities.

Numerical analysis

53. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
SSR1	23	15	35	22
SSR2	7	4	35	22
SSD2	26	17	35	22
SSE1	39	25	35	22
SSE2	26	17	33	21
SSE3	8	5	42	27

54. The responses can also be broken down by support per class of authority:

	SSR1		SSR2		SSD2		SSE1		SSE2		SSE3		(tot all cons reps) No.
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
London Boroughs	3	60	-	-	1	20	-	-	1	20	-	-	39
Met Districts	11	35	1	3	12	39	2	6	3	9	2	6	39
Shire Counties	-	-	-	-	1	3	18	62	9	31	1	3	49
Shire Unitaries	7	17	6	14	8	19	10	24	6	14	5	12	44
Shire Districts	-	-	-	-	-	-	3	75	1	25	-	-	166
Others	2	11	-	-	4	22	6	33	6	33	-	-	225

Late Responses

55. In addition, 18 responses that referred to PSS for older people were received after the consultation closed.

Option	Support		Reject	
	No.	%	No.	%
SSR1	1	6	2	11
SSR2	0	0	2	11
SSD2	2	11	3	17
SSE1	2	11	3	17
SSE2	0	0	3	17
SSE3	2	11	3	17

56. Support per class of authority:

	SSR1		SSR2		SSD2		SSE1		SSE2		SSE3		All late cons reps No.
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
London Boroughs	-	-	-	-	-	-	-	-	-	-	-	-	4
Met Districts	-	-	-	-	-	-	-	-	-	-	1	100	5
Shire Counties	-	-	-	-	-	-	-	-	-	-	-	-	2
Shire Unitaries	-	-	-	-	-	-	2	100	-	-	-	-	5
Shire Districts	-	-	-	-	-	-	-	-	-	-	-	-	10
Others	1	25	-	-	2	50	-	-	-	-	1	25	73

Summary of Main Comments Received

57. The main comments received were:

- There was widespread support for combining the two existing elderly people's formulae into one. Responses in favour included the Local Government Association. Those against felt the argument for combining the formula relied too much on simplification, and that a strong enough case for combining the formula had not yet been made.
- Many responses looked at sparsity and density, arguing for increased weighting to be given to one or the other. Some responses argued for a higher weighting on sparsity, pointing to the results of the research commissioned by the County Councils Network. Other argued that that the weight on sparsity should be kept at the present, arguing that the research was not robust for densely populated areas.
- A number of responses argued that the multiplicative way in which the sparsity adjustment had been applied led to the double counting of deprivation.
- There were concerns raised that it is not robust to include ethnicity in the elderly formula on the basis of research that included such small numbers of ethnic minorities (option SSE3).
- Responses were mixed about the appropriate population measure to use (i.e. whether to use the total resident population (SSE1), or population in households plus the number of supported residents (SSE2)). A particular point made was that self-funders could potentially become supported residents, and needed to be included in the SSE2 population base.
- There was concern that income support explains too little of the variation in income from charges. Some authorities argued that Income Support should be excluded as an indicator in the income from charges adjustment.
- London authorities mostly argued that the options are poor at predicting receipt of services, and that further work was required before they were robust enough for implementation. No change to the existing formulae was supported.
- Judgementally increasing the weights given to income support and elderly people in rented accommodation by 25%, and reducing the basic amount accordingly.

Police

58. [Chapter 4](#)¹ of the consultation document set out options for distributing funding to police authorities.

Consultation options

59. The formal consultation options were:

- Option POL1 built on the 2002/3 Settlement with an adjustment in the component weights using new Activity Analysis data. It also increased the sparsity component to 1%, to reflect the possibility of rolling the Rural Policing Fund into the main formula.
- Option POL2 was as POL1 but reduced the “establishments” component to zero.
- Option POL3 was as POL1 but increased the ‘Personal crime’ component weight by 5%.
- Option POL4 was as POL1 but increased the ‘Public Order’ component weight by 5%.
- Option POL5 was as POL1 but introduced a new ‘deprivation’ component weighted at 2%.

60. In contrast to the options put forward for most other issues, the options for police were not mutually exclusive: POL2 POL3, POL4 AND POL5 could be implemented in any permutation.

Additional exemplifications

61. In addition, the following exemplifications were made available during consultation:

- Replace Striving Population with Income Support in option POL5
- Replace Resident Population with Daytime Population
- Retain Rural Policing Fund as a special grant, and leave the sparsity weighting at 0.5%, as at present
- Various combinations of the options.

Number of responses

¹ <http://www.local.odpm.gov.uk/review/consult/pol.pdf>

62. In total we received 102 responses that mentioned police. 66 of these were from local authorities.

Numerical analyses

63. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
POL1	40	39	13	13
POL2	47	46	12	12
POL3	7	7	50	49
POL4	9	9	50	49
POL5	11	11	45	44

64. The responses can also be broken down by support per class of authority:

	POL1		POL2		POL3		POL4		POL5	
	No.	%	No.	%	No.	%	No.	%	No.	%
London Boroughs	2	25	2	25	-	-	-	-	-	-
Met Districts	-	-	-	-	-	-	-	-	-	-
Shire Counties	-	-	1	33	-	-	-	-	-	-
Shire Unitaries	-	-	1	25	-	-	-	-	1	25
Shire Districts	-	-	-	-	-	-	1	100	-	-
Police Authorities	33	66	38	76	7	14	8	16	10	20
Other Responses	5	14	5	14	-	-	-	-	-	-

Note: the police options were not mutually exclusive, so numbers are expressed as a percentage of the number of authorities responding, rather than as a percentage of the opinions given.

Late responses

A further 15 responses that mentioned police were received after the end of consultation.

Option	Support		Reject	
	No.	%	No.	%
POL1	1	7	-	-
POL2	-	-	-	-
POL3	-	-	-	-
POL4	-	-	-	-
POL5	1	7	1	7

65. Support per class of authority:

	POL1		POL2		POL3		POL4		POL5	
	No.	%	No.	%	No.	%	No.	%	No.	%
London Boroughs	-	-	-	-	-	-	-	-	-	-
Metropolitan Districts	-	-	-	-	-	-	-	-	-	-
Shire Counties	-	-	-	-	-	-	-	-	-	-
Shire Unitaries	-	-	-	-	-	-	-	-	-	-
Shire Districts	-	-	-	-	-	-	-	-	-	-
Police Authorities	-	-	-	-	-	-	-	-	-	-
Other Responses	1	10	-	-	-	-	-	-	1	10

Summary of main comments received

66. The main comments received were:

- A significant number of police authorities argued that as the Rural Policing Fund could not be integrated into the main formula without causing a change in the distribution of grant then the special grant arrangement should be retained.
- Several of the options (POL3, POL4 and POL5) consulted on the possibility of including judgmental top-ups for personal crime, public order and deprivation. A significant majority of respondees did not wish to see these implemented, on the grounds that they were generally content to continue with the current activity-analysis based distribution mechanism.
- A few police authorities expressed some concerns about the robustness of the data underlying the activity analysis.

Fire

67. [Chapter 5](#)¹ of the consultation document set out options for reforming the formula for the block which allocates funding to fire authorities.

Consultation options

68. The main thrust of the options for the fire formula was to remove the current fire calls indicator, which is agreed to be a perverse incentive.

- Option FIR1 included an element for the fire risk assessments that are applied to areas within each fire authority. This would give a basic amount per head of population plus a number of top-ups.
- Option FIR2 made the minimum change to the formula necessary to remove the fire calls perverse indicator, and hence had fewer top-ups than FIR1.
- Option FIR3 was a radically simplified approach under which each authority would receive a flat rate increase each year, reflecting the increase in the national fire formula total.
- Option FIR4 was as FIR1, with the addition of a sparsity top-slice, increases the size of the fire safety education top-slice, and takes on a proposed technical adjustment to the way pensions are dealt with in the expenditure database.

Additional exemplifications

69. In addition, the following exemplifications were made available during consultation:

- As option FIR1, but using the pensions adjustment to the expenditure database as used in FIR4.
- As option FIR1, but using the sparsity adjustment as per FIR4.
- As option FIR1, but using 3% for the fire safety education element as per FIR4.
- As for FIR1 but sets the percentage allocated to pensions as the amount spent on pensions as a proportion of formula allocation (approx. 18%).
- As for FIR1 but uses 'enhanced population'.
- As for FIR1 but using an alternative Fire Risk Index.
- As for FIR2 but using alternative Fire Risk Indices.

¹ <http://www.local.odpm.gov.uk/review/consult/fire.pdf>

- As for FIR4 but using alternative Fire Risk Indices.
- Using a 2% (of main formula) top-slice for density, and using the pensions adjustment to the expenditure database and the 3% fire safety education top-slice used in FIR4.
- Using an (approximately) 18% pensions top-slice and enhanced population.

Number of responses

70. In total there were 122 responses which expressed an opinion on the proposals for fire. 92 of these were from local authorities (including combined fire authorities and the London Fire and Emergency Planning Authority).

Numerical analysis

71. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
FIR1	22	18	1	1
FIR2	15	12	2	2
FIR3	20	16	25	20
FIR4	33	27	2	2
Against All	24	20		

72. The responses can also be broken down by support per class of authority:

	FIR1		FIR2		FIR3		FIR4		Against all		(total all consultation responses) No.
	No.	%	No.	%	No.	%	No.	%	No.	%	
London Borough	-	-	-	-	-	-	-	-	6	100	39
Shire Counties	5	17	3	10	8	28	11	38	2	7	39
Shire Unitaries	4	14	4	14	8	29	8	29	4	14	49
Shire districts	-	-	-	-	1	50	1	50	-	-	44
Met Fire auth*	-	-	4	27	1	7	6	40	4	27	166
Comb. Fire auth	4	24	2	12	2	12	6	35	3	18	27
Other	8	31	2	8	1	4	9	35	6	23	225

*inc. the GLA

Late responses

A further 7 responses that mentioned highway maintenance were received after the end of consultation

Option	Support		Reject	
	No.	%	No.	%
FIR1	-	-	-	-
FIR2	-	-	-	-
FIR2	3	43	-	-
FIR3	3	43	-	-
Against All	1	14		

73. The responses can also be broken down by support per class of authority:

	FIR1		FIR2		FIR3		FIR4		Against all		All late cons reps	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	
London Borough	-	-	-	-	-	-	-	-	-	-	-	4
Met Fire auth*	-	-	1	100	-	-	-	-	-	-	-	2
Shire Counties	-	-	-	-	-	-	-	-	-	-	-	2
Shire Unitaries	-	-	1	50	1	50	-	-	-	-	-	5
Shire districts	-	-	-	-	-	-	-	-	-	-	-	10
Comb. Fire auth	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-1	50	2	66	-	-	-	-	-	73

Summary of main points made

74. The main comments received were:

- The removal of fire calls was widely welcomed, and not opposed.
- Some respondents specifically mentioned the control total for fire or the SR2002 outcome, stating it was inadequate.
- A large majority of respondents supported proposals to use sparsity in the formula.
- Respondents were evenly split on whether weighted risk areas should be used.
- A majority of respondents were in favour of the removal of fire safety top-slices.

Highways maintenance

75. [Chapter 6](#)¹ of the consultation document set out options for reforming the Highways Maintenance of formula.

Consultation options

76. The options consulted on centred on the question of whether to include population density in the formulae:

- Option HM1 updated the spending base from 1990-91 to 1998-99 and used a new measurement of costs of maintaining roads in winter and removed the traffic flow thresholds present in the current formula, but retained from the current formula population density as an explanatory factor for road maintenance spending.
- Option HM2 was as option HM1 but removed population density from the formula.

Additional exemplifications

77. In addition, the following exemplifications were made available during consultation:

- Replace the proposed 100:1 HGV to all motor vehicle weighting ratio with the current 12:1 ratio.
- Put traffic flow thresholds back into the formula.
- Increase the weighting for population density.

Number of responses

78. In total we received 149 responses that mentioned highway maintenance. 125 of these were from local authorities.

Numerical analysis

79. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
HM1	56	38	18	12
HM2	56	38	27	18

¹ <http://www.local.odpm.gov.uk/review/consult/hway.pdf>

80. The responses can also be broken down by support per class of authority:

	HM1		HM2		(total all consultation responses)
	No.	%	No.	%	
London Boroughs	18	95	1	5	39
Met Districts	20	87	3	13	39
Shire Counties	4	14	24	86	49
Shire Unitaries	9	38	15	62	44
Shire Districts	-	-	4	100	166
Other Responses	5	36	9	64	225

Late responses

81. A further 17 responses that mentioned highway maintenance were received after the end of consultation.

Option	Support		Reject	
	No.	%	No.	%
HM1	5	29	-	-
HM2	-	-	1	6

82. Support per class of authority:

	HM1		HM2		All late consultation responses
	No.	%	No.	%	
London Boroughs	-	-	-	-	4
Met Districts	2	100	-	-	5
Shire Counties	-	-	-	-	2
Shire Unitaries	1	100	-	-	5
Shire Districts	1	100	-	-	10
Other Responses	1	100	-	-	73

Summary of Main Comments Received

83. The main comments received were:

- Just over half of the authorities that commented on the issue agreed with the proposal to abolish thresholds.
- A significant majority of respondents agreed with the proposal to replace the number of days with snow lying with a measure of average

temperature. A few suggested using a composite indicator using both snow days and gritting days.

- Around three-quarters of the authorities that commented on the HGV – to other vehicle weighting wished to retain the current 12:1 ratio.
- A number of authorities suggested smoothing traffic flow over 3 years.
- A number of urban authorities suggested that the weighting on population density top-up in HM1 should be increased.
- A number of rural authorities suggested that the basic amount per road length should be increased and the weighting on the traffic flows top-up should be reduced.
- A few metropolitan authorities mentioned that back lanes should be included in the formula, whilst other authorities mentioned that highway maintenance should also cover the repair of cycleways, footpaths, greenways and streetlights.
- A few authorities mentioned that population density should not just be restricted to residents and commuters but should be extended to include visitors.

Environmental, Protective and Cultural Services (EPCS)

84. [Chapter 7](#)¹ of the consultation document set out options for EPCS, which covers a very wide range of local authority costs and services, including the core costs of running the authority.

Consultation options

85. The EPCS options formally put forward for consultation were:

- Option EPC1 attempted to capture the main cost drivers for all local authorities. Judgement has been applied to give a high weighting for deprivation measures.
- Option EPC2 was a simpler version of EPC1, removing the adjustments for commuters and visitors. It allocates a greater proportion of the resources on a 'unit cost' basis. The weights for sparsity and super-sparsity were reduced.
- Option EPC3 used the same factors as Option EPC1 to capture the main cost drivers for authorities, but reduces the amount distributed by deprivation measures and allocated higher weights for resident population, day visitors, sparsity and "super sparsity"
- Option EPC4 was a simpler version of EPC1, that also increased the weighting towards deprived areas. The adjustments for commuters and visitors were removed.

86. Respondents were also explicitly asked how the concurrent services' adjustment should be handled, and how adjustments for transport in London and the GLA should be made.

Additional exemplifications

87. In addition, the following exemplifications were made available during consultation:

- Change to level of resources assumed to be levied by waste & transport authorities.
- Capping the number commuters & visitors recognised by formulae.
- Inclusion of Working Families Tax Credit as a deprivation indicator.
- Including number of overnight visitors as a cost driver.

Number of responses received

¹ <http://www.local.odpm.gov.uk/review/consult/epcs.pdf>

88. In total there were 329 responses which either expressed a clear preference for one or more of the four EPCS options proposed in the consultation document, expressed preference for another option, or submitted other comments relating to EPCS. 281 of these were from local authorities. 49 of the responses did not express any clear preference.

Numerical analysis

89. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
EPC1	38	12	10	3
EPC2	80	24	11	3
EPC3	110	33	9	3
EPC4	47	14	22	7
Another option	98	30	-	-

90. The responses can also be broken down by support per class of authority:

	EPC1		EPC2		EPC3		EPC4		Other	
	No.	%	No.	%	No.	%	No.	%	No.	%
London Borough	0	0	5	18	0	0	9	32	14	50
Met Districts	8	25	1	3	1	3	13	41	9	28
Shire Counties	1	2	12	28	11	26	1	2	18	42
Shire Unitaries	9	22	4	10	7	17	11	27	10	24
Shire Districts	16	8	54	28	76	40	9	5	36	19
Others	4	11	4	11	15	39	4	11	11	29

Late responses

91. In addition, there were 19 late responses, which either expressed clear preference for one or more of the four currently proposed EPCS options, expressed preference for another option, or submitted other comments relating to EPCS. 16 of these were from local authorities.

Option	Support		Reject	
	No.	%	No.	%
EPC1	2	10	-	-
EPC2	3	15	3	100
EPC3	4	20	-	-
EPC4	6	30	-	-
Other option	5	25	-	-

92. Support per class of authority:

	EPC1		EPC2		EPC3		EPC4		Other	
	No.	%	No.	%	No.	%	No.	%	No.	%
London Borough	-	-	-	-	-	-	1	100	-	-
Met Districts	1	25					2	50	1	25
Shire Counties	-	-	-	-	-	-	-	-	-	-
Shire Unitaries	-	-	1	33	-	-	1	33	1	33
Shire Districts	-	-	1	20	3	60	-	-	1	20
Others	1	17	-	-	1	17	2	33	2	33

Summary of main comments received

93. The EPCS block attracted the most diverse range of comments and suggestions, probably since it covers the widest range of local authority services. They have been broken down into four categories:

- general comments;
- opinion on the best structure for EPCS
- which indicators should be used
- how to treat the various adjustments that are currently part of EPCS.

General Comments

94. The main general comments received were

- Some authorities expressed disappointment with the general quality of options. In particular, there were calls that a simpler, more transparent and more robust technical solution had not been found for the block, in particular the lack of research on sparsity, rurality, and accurate deprivation costs.
- A number requested that the existing EPCS formula be retained until more substantive research has been undertaken. The National Economic Research Associates offered an alternative. However this did not receive specific support from any group of authorities.
- There was support for basing EPCS allocations on current need e.g. through recent demographic and physical data, rather than on historic spend, with a some disappointment expressed that it had not been possible to construct options from an analysis of such cost-drivers.
- Many respondents commented on the EPCS control total, favouring increasing the amount of money put into EPCS by Government to the level at which authorities actually spend.

Structure

95. The main structural comments received were:

- There were several suggestions for new sub-blocks, blocks, or targeted grants - notably for waste and concessionary fares, but also for transport, libraries, open spaces, planning, Magistrates Courts and economic development.
- Many respondents (mainly from shire areas) suggested a separate waste block or sub-block so that the level of support for this service would be made explicit. A small number of respondents (mainly unitary authorities) highlighted mounting costs associated with refrigerator disposal and other similar disposal requirements. A few respondents requested that the costs associated with waste generally be made more transparent e.g. through identifying cost drivers, and identifying notional waste control totals - divided into total upper and lower tier costs.
- Conversely, some respondents argued that creation of a separate waste management block or sub-block should not be considered without further research and consultation on the potential implications. Some respondents said that there should be no hypothecation applied to waste.
- A number of respondents (mainly London Boroughs) requested that the costs of concessionary fares (including costs of extending eligibility) be fully met, with some respondents suggesting that these should be funded by a specific grant. There were suggestions for moving allocations for parking and passenger transport into the Highways Maintenance block.
- There was considerable support for the proposal to remove Rent Allowance Payments and Housing/Council Tax Benefit administration from this system and make it the responsibility of the Department of Work and Pensions. A number of authorities also argued that other similar components of the current system - Coastal Protection and Port Health, Internal Drainage Board levies and National Parks – should also be funded by other means.
- A small number of respondents requested that Coastal Protection and Flood Defence costs be fully funded based on audited historical expenditure, and two respondents requested that the DEFRA review of Flood Defence be incorporated into the new EPCS formula.

Indicators

96. The main comments received regarding indicators were:

- A very wide range of indicators and weightings were proposed, supported or rejected.

- There were mixed views on whether or not to include both daytime and overnight visitors, but widespread support for the proposed treatment of commuters. Various new caps and thresholds were backed, such as thresholds for deprivation, population sparsity and population density, and caps on the numbers of visitors and commuters to be taken into account by the formulae. In most cases little evidence was put forward to justify these proposals.
- Additional indicators that were suggested included: pension liabilities (reflecting growing pensions costs); Working Families Tax Credit; Council Tax collection rates; population turnover (reflecting increased mobility), homelessness; asylum seekers; coastline (including costs of providing services such as lifeguards, beach cleaning, harbour maintenance etc); student numbers; and indicators to reflect higher costs of service provision in upland areas.
- There were concerns raised regarding both over- and under-emphasis on deprivation in the consultation options. Many respondents promoted the need to provide more effective recognition of small pockets of severe deprivation by using data below authority level. A small number of authorities cited problems of deprivation in high cost areas e.g. expensive rents and housing. There some support for retaining housing indicators as a measure of deprivation, and also for using more diverse measures e.g. a wider range of benefits data, free school meals, overcrowded housing, etc.
- Some respondents argued that the Indices of Multiple Deprivation should not be used to measure deprivation, on the basis that it was designed primarily for allocating regeneration funding and had little relevance to EPCS. It was also argued that there were significant problems with updating, transparency and accuracy of some of the ward based population estimates and statistical techniques the IMD uses.
- A few respondents suggested that indicators such as population, Income Support and Working Families Tax Credit indicators be smoothed over three years. Smoothing was also suggested to damp the effect on indicators caused by major one-off events.
- A small number of authorities suggested a need to disaggregate “visitors” according to type e.g. whether they simply visited out of town shopping centres, were visitors from the same local authority but outside a given built up area, or spent all day at a resort.
- There were suggestions for further research to establish the interaction between pairs of factors. These included for sparsity and density, rurality and deprivation, deprivation and density, enhanced population and population density respectively.

Comments/suggestions on EPCS “adjustments”

97. The main comments received on adjustments were:

- There were representations on alternative methods of allocating resources for waste and transport in areas with joint authorities. These would require primary legislation to amend levy mechanisms.
- The ALG and many London Boroughs favoured making the buses adjustment (for London bus responsibility being with TfL) by deduction pro rata to SSA, rather than a flat amount per head as proposed in the consultation.
- London authorities favoured funding the GLA's EPCS activities via the GLA general grant, with no deduction for London authorities. Some commented on the size of the adjustment, saying that increases should be held in line with the rate of inflation.
- There were a number of responses from counties and districts on how to abolish the concurrent services' adjustment. These focused on the size of the control total transfer to be made between upper and lower tiers to remove the concurrent services' adjustment. Counties tended to prefer a greater adjustment - towards the higher range of between £650m and £750m. Districts tended to prefer a lower figure - £500m was mentioned – or argued that no adjustment should be made, or that transfers should be agreed locally.
- Transitional measures for authorities facing disruption from recent large-scale voluntary transfers of housing stock were also proposed by a few respondents. The proposed transfer of Rent Allowances to DWP was supported for this reason.

Capital finance

98. [Chapter 8](#)¹ of the consultation document set out options for how to distribute revenue support for capital financing.

Consultation options

99. The options focused on how to deal with the discontinuation of two of the sub-blocks that deal with interest receipts, which could be argued to simply add unnecessary complexity to the current system.

- Option CF1 eliminated the two interest receipt sub-blocks and reduced the control total for the debt charges sub-block by a corresponding amount, so leaving the overall control total for the capital financing block unchanged. This would result in a reduction in the scaling factor for the debt charges sub-block, but leave spending for all other sub-blocks unchanged.

100. In addition, three options have been identified for adjusting other block control totals to offset a removal of the two interest receipt sub-blocks. These are:

- Option CF2 allocated each of the negative interest receipt control totals across all sub-blocks identified as contributing to the ability to earn interest receipts, pro-rata to the control totals for these sub-blocks.
- Option CF3 allocated higher proportions of each of the negative control totals to the lower tier EPCS sub-block in recognition of the fact that services covered within this sub-block are a major source of capital receipts, and lower proportions to other sub-blocks.
- Option CF4 only reduced the lower tier EPCS block control total by the total for the two interest receipt sub-blocks, leaving the control totals for all other sub-blocks unchanged.

Additional exemplifications

101. In addition, the following exemplifications were made available during consultation:

- A variant of CF3 using information on the pattern of capital receipts over the last 12 years, with adjustments to each SSA sub-block based solely on the primary indicator for that sub-block.
- Debt Charges control total increased by £174m to give a scaling factor of unity, and the deduction in respect of interest on reserved receipts increased by £174m to compensate.

¹ <http://www.local.odpm.gov.uk/review/consult/capital.pdf>

Number of responses

102. In total there were 321 responses which expressed an opinion on the proposals for the capital financing block. 272 of these were from local authorities.

Numerical analysis

103. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
CF1	78	24	8	2
CF2	95	30	13	4
CF3	19	6	21	7
CF4	35	10	35	10
Retain status quo	62	19	-	-

104. The responses can also be broken down by support per class of authority:

	CF1		CF2		CF3		CF4		Status Quo	
	No.	%	No.	%	No.	%	No.	%	No.	%
London Boroughs	2	13	1	6	-	-	-	-	13	81
Met Districts	1	6	3	18	1	6	-	-	12	71
Shire Counties	1	3	2	5	5	13	19	49	12	31
Shire Unitaries	15	42	8	22	6	17	3	8	4	11
Shire Districts	48	35	71	52	3	2	2	2	12	9
Police Authorities	4	31	-	-	-	-	5	38	4	31
Fire Authorities	-	-	-	-	1	33	-	-	2	66
Other Responses	7	24	10	34	3	10	6	21	3	10

Late responses

105. The corresponding analysis for the 17 responses received after the end of the consultation period is:

Option	Support		Reject	
	No.	%	No.	%
CF1	2	12	2	12
CF2	3	18	1	6
CF3	-	-	1	6
CF4	2	12	1	6

Status quo	4	24	-	-
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106. Support per class of authority:

	CF1		CF2		CF3		CF4		Status Quo	
	No.	%	No.	%	No.	%	No.	%	No.	%
London Boroughs	-	-	-	-	-	-	-	-	1	100
Met Districts	-	-	-	-	-	-	-	-	1	100
Shire Counties	-	-	-	-	-	-	-	-	-	-
Shire Unitaries	-	-	-	-	-	-	-	-	-	-
Shire Districts	2	40	3	60	-	-	-	-	-	-
Police Authorities	-	-	-	-	-	-	-	-	-	-
Fire Authorities	-	-	-	-	-	-	-	-	-	-
Other Responses	-	-	-	-	-	-	-	-	-	-

Summary of Main Comments Received:

107. The main comments received were:

- A substantial number of responses argued that any changes to the CFSSA should be postponed until it was clear how the 'prudential system' would work, and how support would be provided for new investment.
- Several authorities mentioned interest rate volatility as an issue. However there was no consensus as to whether this was a problem or not – some authorities arguing that changes in interest rates caused difficulties and others the opposite.
- There was also no agreement on whether deprivation should be reflected in the CFSSA or not.
- A number of comments referred to the relative size of the asset base for various groups of authorities and the relative ability of different groups of authorities to generate receipts.
- A few authorities noted that Right to Buy receipts from the sale of local authority housing were a statutory credit to the Housing Revenue Account.
- A few authorities suggested that: the support for capital investment should be formula-based, as with other SSA blocks, rather than relying on credit approvals; more research was needed into factors affecting the ability of local authorities to generate interest receipts; it was important to retain a separate grant to support existing PFI schemes; and

Area Cost Adjustment

108. [Chapter 9](#)¹ of the consultation document set out options for recognising differences in costs driven by pay and recruitment pressures across the country.

Consultation options

109. The ACA options formally consulted on were:

- Option ACA1 was a variant of the existing approach to the ACA using three years of data rather than one. In addition, the data on which the factors for the inner and outer fringe are based has been updated and it extends the ACA to a number of authorities just outside the current ACA boundary.
- Option ACA2 was a variant of the “Elliott” methodology which takes more detailed account of differences in the structure of the labour market between authorities and incorporates a threshold or lower limit, below which all authorities receive the same ACA factor.
- Option ACA3 was option ACA2 except that, rather than being based on evidence about wages in both the public and private sectors it is based only on wages in the private sector.
- Option ACA4 was also a variant of the Elliott methodology but without a lower limit so that every county across the country would receive its own ACA factor.
- Option ACA5 was as option ACA4, except that it is based only on wages in the private sector.

Additional exemplifications

110. In addition, the following exemplifications were made available during consultation:

- ACA1, with local authority occupation weights;
- ACA2 & 3, but with no lower limits;
- ACA1 geography, but using Elliott methodology, LFS and private sector data only;
- ACA1 geography, but using Elliott methodology, NES and public sector data only ;
- ACA4, with a "high" and “low” lower limit ;

¹ <http://www.local.odpm.gov.uk/review/consult/aca.pdf>

- “NHS Smoothing”;
- Exemplifications excluding education.

Number of responses

111. In total there were 408 responses that mentioned the area cost adjustment. Of these 264 came from local authorities. There were also ACA based campaigns: LB Kingston residents said that for the purposes of the Area Cost Adjustment they should be grouped in with west London authorities. Cambridgeshire residents also called for their county to receive the ACA. Reducing the resources distributed by the ACA was also mentioned as part of some of the education campaigns listed above.

Numerical analysis

112. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
ACA1	50	12	72	18
ACA2	99	24	65	16
ACA3	37	9	116	29
ACA4	83	20	71	17
ACA5	84	21	115	28

113. The responses can also be broken down by support per class of authority:

	ACA1		ACA2		ACA3		ACA4		ACA5		(tot. all cons reps) No.
	No.	%	No.	%	No.	%	No.	%	No.	%	
London Boroughs	3	9	8	25	6	19	7	22	8	25	39
Met Districts	0	0	8	29	1	4	16	57	3	11	39
Shire Counties	8	21	14	36	2	5	7	18	8	21	49
Shire Unitaries	7	18	15	38	3	8	7	18	7	18	44
Shire Districts	18	14	32	25	18	14	24	19	35	28	166
Others	14	16	22	25	7	8	22	25	23	26	225

Late Responses

114. A further 46 responses were received after the end of the consultation period.

Option	Support		Reject	
	No.	%	No.	%

ACA1	1	2	5	11
ACA2	7	16	1	2
ACA3	3	7	4	9
ACA4	5	11	4	9
ACA5	10	22	6	13

115. Support per class of authority:

	ACA1		ACA2		ACA3		ACA4		ACA5		All late reps
	No.	%	No.	%	No.	%	No.	%	No.	%	No.
London Boroughs	-	-	2	25	2	25	2	25	2	25	4
Met Districts	-	-	3	40	1	13	2	25	2	25	5
Shire Counties	-	-	-	-	-	-	-	-	-	-	2
Shire Unitaries	-	-	-	-	-	-	1	50	1	50	5
Shire Districts	1	20	1	20	-	-	-	-	3	60	10
Other Responses	-	-	1	33	-	-	-	-	2	66	73

Summary of Main Comments Received

116. These comments have been broken down into sections:

- data
- methodology
- geography
- other issues

Data

117. The main comments received regarding data were:

- A number of responses commented on the question of whether to use Labour Force Survey (LFS) or New Earnings Survey (NES) data to calculate the ACA. Around half preferred NES data because of the increased sample sizes and improved robustness/stability of the subsequent results. Others (mostly from London and the South East) advocated the LFS because of the more detailed information available and better coverage of low-paid individuals.
- Around 100 authorities explicitly mentioned they were against using only private sector data in the ACA calculation. A small number favoured using only public sector data and a further few favoured applying local authority employment weights to ACA1.
- Many responses wished to exclude high earners from the calculation of the ACA, particularly if the current methodology is retained.

Methodology

118. The main comments received regarding methodology were:

- Some responses from outside London and the South East, favoured a specific costs/actual costs approach to calculating the ACA.
- The use of a general labour market/Elliott method to calculate the ACA was supported by many responses nation-wide, but particularly in London and the South East.
- The LGA response did not take a view on the appropriateness of specific cost or general labour market approaches. However, the response said that if the Government was minded to implement a general labour market approach, the Elliot methodology was preferred.
- Some responses expressed interest in the NHS approach to smoothing. However, others were concerned about the potential for volatile ACA factors when using this method.
- Some responses recommended that travel to work areas should form part of the basis of calculating the ACA.
- A few responses advocated applying the house price approach ACA (exemplified in Chapter 2 for education) to the whole grant distribution system. Some advocated an approach combining both the house price adjustment and wage evidence.

Geography

119. The main comments received regarding ACA geography were:

- Many responses welcomed the option to extend the ACA geography beyond the present South East area.
- Some authorities expressed concerns at the geography adopted for the exemplifications. The division of outer London and the London fringe area into east and west areas, while supported by many in the western areas, was a cause of concern to the authorities in the east. This was particularly the case for those authorities on the boundary between the areas.
- Concerns about cliff-edges were also raised by authorities just outside the current fringe area, and by authorities who felt that the ACA should be extended further than proposed in options ACA1 - 3. Further, some shire unitary authorities were concerned that the use of pre-reorganisation county boundaries meant that their circumstances were not properly reflected.
- Some authorities in the South East did not think that cost pressures varied as much across the region as implied by options ACA2 - 5. One

argued that more specific ACA factors did not work well when services were provided across local authority boundaries. The example given was better-resourced London authorities placing social services clients in their area and driving up costs.

Other issues

120. Comments were also received on other ACA issues:

- Several authorities that do not currently receive the ACA suggested that the amount of money distributed by the ACA be capped or that the ACA be restricted to a few areas with very high costs.
- A small number of London boroughs asked that the ACA be extended to targeted and ring fenced grants.
- Few authorities responded on the rates cost adjustment. Opinion was evenly balance between retaining it (mainly authorities within London) and abolishing it.
- Few responses favoured a separately calculated ACA for education.

Fixed costs, sluggish costs and population increases

121. [Chapter 10](#)¹ of the consultation document covered issues relating to the size of authorities and how changing population impacts on service delivery. This section, like the consultation document will be split into two. The first deals with fixed costs, the second with population decline and growth.

Part 1: Fixed costs.

Consultation options

122. The options centred on whether and how to recognise the argument that small authorities face a disproportionate “cost of being in business”.

- Option FC1 would provide a fixed £300,000 to each shire district and education/PSS authority. This comes to a total of £116.4 million. This sum would come from within the existing EPCS provision.
- Option FC2 was is the same as option FC1, but additionally provided £300,000 to each police and fire authority. This comes to a grand total of £137.1 million. £116.4 million would come from within the existing EPCS provision, £11.4 million from the police block, and £9.3 million from the fire block.

Additional exemplifications

123. In addition, the following exemplifications were made available during consultation:

- Fixed cost allocation set at £450k for upper tier authorities.
- As FC1, but allocation taken from EPCS as £300k per shire district from EPCS lower-tier, £300k per shire county from EPCS upper-tier, and £150k from each tier for other authorities.

Number of responses

124. In total there were 300 responses which expressed an opinion on the proposals for fixed costs. 262 of these were from local authorities.

Numerical analysis

125. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses. Responses supporting either fixed cost option without expressing a preference are counted as supporting both options – this explains why there are more shire district preferences expressed than total shire district consultation responses.

¹ <http://www.local.odpm.gov.uk/review/consult/fixed.pdf>

Option	Support		Reject	
	No.	%	No.	%
FC1	119	40	48	16
FC2	164	55	44	15

126. The responses can also be broken down by support per class of authority:

	Support FC1		Support FC2		(total all consultation responses)
	No.	%	No.	%	
London Boroughs	2	50	2	50	No.
Met Districts	6	55	5	45	39
Shire Counties	5	36	9	54	39
Shire Unitaries	9	41	13	59	49
Shire Districts	81	44	103	56	44
Police Authorities	2	17	10	83	166
Fire Authorities	-	-	2	100	27
Other responses	14	41	20	59	23
					225

Late Responses

127. A further 17 responses which mentioned fixed costs were received after the end of the consultation period.

Option	Support		Reject	
	No.	%	No.	%
FC1	3	18	2	12
FC2	7	41	3	18

128. Support per class of authority:

	FC1		FC2		All late consultation responses
	No.	%	No.	%	
London Boroughs	-	-	-	-	No.
Met Districts	-	-	-	-	4
Shire Counties	-	-	-	-	5
Shire Unitaries	1	100	-	-	2
Shire Districts	2	33	4	66	5
Police Authorities	-	-	-	-	10
Fire Authorities	-	-	-	-	2
Other Responses	-	-	3	100	3
					73

Summary of main comments received

129. The main comments received were

- Many shire districts and a few single purpose authorities welcomed the options' recognition that small authorities are unable to take advantage of economies of scale. A fixed cost adjustment of £300,000 for all authorities was supported on two grounds: firstly that a single sum for all authorities is simple, and secondly because fixed costs fall disproportionately on smaller authorities.
- Many unitary and metropolitan areas felt that the adjustment should vary according to authority type in order to take account of additional fixed costs arising from the delivery of their additional responsibilities.
- Counties argued that a fixed-cost adjustment should be limited to shire districts and paid for by a top slice from lower-tier EPCS funding.
- Unitary authorities were generally in favour of an adjustment while metropolitan districts were more evenly divided. Many of the unitary and metropolitan authorities that commented felt that they incurred additional fixed costs in the delivery of their upper tier duties, which fall disproportionately on small unitary authorities. As such they argued that the amount of any adjustment should vary according to the authorities responsibilities and opposed a flat rate adjustment.
- Counties generally opposed the adjustment. They argued that most local authorities are large enough to adequately take advantage of economies of scale. Further they believed that a fixed cost adjustment would be a disincentive for small authorities to increase efficiency. The example of joining together with other districts in purchasing consortia was cited. It was suggested that if this adjustment is put in place, then it should be restricted to shire districts and should be funded by a top slice from lower tier EPCS.
- Several London respondents argued that there are no fixed costs in the long run and hence that an adjustment is unnecessary. Some put forward the case that the regression analysis underlying some of the EPCS formula means that fixed costs are already recognised within the existing system.
- Police and fire authorities were divided about whether a fixed cost adjustment should be extended to them. Many felt that it would be fair, though with some reservations about the complexity of top-slicing grant to meet the costs. Against this, some police and fire authorities did not want a fixed cost adjustment on the grounds that it would add complexity and that all police and fire authorities are large enough to take advantage of efficiencies of scale.

- Several authorities felt that the amount of a fixed cost adjustment for the police and fire service needed further refinement. Some shire districts were worried that the police and fire element of FC2 would eventually be subsidised by the existing EPCS block.

Part 2: Population decline and growth

Consultation options

130. The options centred on whether and how the system should recognise changes in population, beyond simply letting them flow through into the data used in service block formulae.

- Option PC1 illustrated a grant targeted to authorities whose population is projected to decrease by more than 0.5% in the two year period between the latest population estimates and the settlement year.
- Option PC2 illustrates a grant targeted to authorities whose population is projected to increase by more than 1.5% in the two year period between the latest population estimates and the settlement year.

Additional exemplifications

131. In addition, the following exemplification was made available during consultation:

- Population decline and growth options with minimum thresholds

Number of responses

132. In total there were 247 responses that expressed an opinion on the proposals on sluggish costs and population decline. 210 of these were from local authorities. The options are not mutually exclusive.

Numerical analysis

133. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
PC1	58	23	114	46
PC2	85	34	84	34

134. The responses can also be broken down by support per class of authority. Note that the options do not relate to the same thing, so no percentage of support can be given on the basis used for other issues:

	Support PC1	Support PC2	(total all consultation responses)
	No.	No.	No.
London Boroughs	3	8	39
Met Districts	12	1	39

Shire Counties	-	20	49
Shire Unitaries	7	8	44
Shire Districts	26	28	166
Police Authorities	3	3	27
Fire Authorities	-	1	23
Other Responses	7	16	225

Late Responses

135. A further 19 responses that mentioned population change costs were received after the end of the consultation period.

Option	Support		Reject	
	No.	%	No.	%
PC1	7	37	3	16
PC2	6	32	3	16

136. Support per class of authority:

	Support PC1	Support PC2	All late consultation responses
	No.	No.	No.
London Boroughs	-	-	4
Met Districts	2	1	5
Shire Counties	-	-	2
Shire Unitaries	1	2	5
Shire Districts	1	3	10
Police Authorities	-	-	2
Fire Authorities	-	-	3
Other Responses	3	-	73

Summary of Main Comments Received

137. The main comments received were:

- There was no general consensus regarding the level of any threshold for a population based adjustment. A myriad of alternatives to the top ups were suggested with no consensus around any one change. The thresholds suggested varied between 0% and 2.5% for rising populations and 0% to 4% for population loss. No one set of thresholds received significant support.
- Some authorities thought that thresholds should be high in order to help only those authorities that are hardest hit, while others suggested a tapered adjustment to help all authorities with rising populations to varying degrees. Some argued that imposing any threshold would create

cliff edges within declining and growing areas and that a top up allocated on the basis of such a threshold would bear no relation to an authorities ability to absorb the sticky or additional costs.

- County councils asked that population change be examined at a ward or district level as in aggregate counties are unlikely to experience large percentage changes, but at a lower level the population to which they were providing services may be more volatile.
- Regarding the funding of any adjustments, many authorities expressed concern that authorities who were growing a little, had stable populations or were declining slightly, would have their grant top sliced in order to pay for the top up. In particular some were concerned that authorities with a population that is declining at a rate below the top up threshold would have their grant top sliced, making their situation worse. For these reasons it was argued that both options should be a safety valve grant funded by new resources, administered outside the formula grant distribution system and be outside the floors and ceilings mechanism.
- Some authorities suggested that formula grant should be based on a variety of smoothed or projected population data, alleviating the need for such top ups and adjustments. However, a number of authorities – and associations - opposed that in the context of predictability and stability.
- One suggested that population data in the formula should not be updated between censuses and that a PC2 style grant should then be used to help those with exceptional population growth. Some authorities simply noted that this is a complex area and suggested no change pending further research.

Declining populations

138. The main comments received regarding declining populations were:

- Authorities with declining populations argued that their costs do not decline proportionately with their population and that the population that remains is more deprived and are proportionately greater consumers of council services.
- However, many authorities pointed to the Price-WaterhouseCoopers research that argued that authorities with declining populations are already cushioned against falling grant for two years by the inherent time-lag in population data. Many also pointed to the floor mechanism, which has recently ensured that grant increases remain at or above historical levels despite data changes.
- It was felt that a population-change top-up would be the wrong mechanism for dealing with funding issues which arise from falling populations becoming increasingly deprived. Instead the inclusion of

more timely and appropriate deprivation indicators in the formulae was put forward as a better solution.

Growing populations

139. The main comments received regarding growing populations were:

- Those in favour of an adjustment for increasing population argued that population is a key cost driver for local authorities. Some added that the current lag in population data disadvantages growing authorities. These authorities are then further disadvantaged by the application of the ceiling mechanism which limits year-on-year grant increases. Some authorities argued that not only population growth, but also the changing nature of the population should be taken into account in any adjustment. For example where the population growth may be due to an influx of asylum seekers who happen to be greater users of council services.
- A further suggestion was that thresholds should be either absolute or proportional. One example given was for an allocation per 1,000 head of population gained or a 1.5% population gain, on the basis that a 0.5% fall in a small authority would have less effect than a 0.5% population loss in a large authority.
- However, many authorities opposed any adjustment. Some simply felt that population top ups are an unnecessary complication. Others that the marginal cost of providing services to additional residents is not great, and that growing authorities may be able to offset some of the extra cost against the additional income gained from increasing council tax, fees and charges revenue. It was also noted that the mobile element of the population might be more affluent and therefore likely to be lower consumers of council services.
- Some authorities felt that the floors and ceilings mechanism is the real problem and that abolishing the ceiling mechanism would provide growing authorities with sufficient support.

Resource equalisation

140. [Chapter 11](#)¹ of the consultation document covered how to recognise councils' ability to raise resources via the council tax.

Consultation options

141. Options centred on whether and how to increase the degree to which grant distribution reflects councils' relative ability to raise resources via the council tax

- Option RE1 uprated all spending blocks by a fixed national percentage to eliminate the gap between total notional spending and actual spending;
- Option RE2 uprated separately the total for each spending block to bring it into line with actual spending for that block;
- Option RE3 uprated the control totals for the PSS and EPCS blocks to reduce the difference between notional spend and actual spend on those blocks.

Additional exemplifications

142. In addition, the following exemplifications were made available during consultation:

- Variant of option RE2, but not adjusting CFSSA sub-block totals to bring them into line with NRE.
- Payment of a special grant to authorities with a below-average taxbase, with the £192.410m cost top-sliced from RSG.

Number of responses

143. In total there were 392 responses which expressed an opinion on the resource equalisation proposals exemplified in the consultation document. 303 of these were from local authorities.

Numerical analysis

144. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
RE1	26	7	26	7
RE2	91	23	21	5

¹ <http://www.local.odpm.gov.uk/review/consult/equalise.pdf>

RE3	9	2	25	6
Status quo	126	32	3	1

145. The responses can also be broken down by support per class of authority:

	RE1		RE2		RE3		Status quo	
	No.	%	No.	%	No.	%	No.	%
London Boroughs	3	15	15	75	-	-	2	10
Met Districts	12	71	3	18	1	6	1	6
Shire Counties	-	-	-	-	2	7	25	93
Shire Unitaries	9	33	7	26	2	7	9	33
Shire Districts	1	1	40	36	2	2	67	61
Police Authorities	-	-	11	79	-	-	3	21
Fire Authorities	-	-	1	50	-	-	1	50
Other Responses	1	3	14	40	2	6	18	51

Late responses

146. The corresponding analysis for the 31 responses received after the end of the consultation period is:

Option	Support		Reject	
	No.	%	No.	%
RE1	2	6	1	3
RE2	6	19	1	3
RE3	3	10	1	3
Status quo	2	6	3	10

147. Support per class of authority:

	RE1		RE2		RE3		Status quo	
	No.	%	No.	%	No.	%	No.	%
London Boroughs	-	-	-	-	-	-	1	100
Met Districts	1	33	1	33	1	33	-	-
Shire Counties	-	-	-	-	-	-	-	-
Shire Unitaries	1	50	-	-	-	-	1	50
Shire Districts	-	-	5	83	1	17	-	-
Police Authorities	-	-	-	-	-	-	-	-
Fire Authorities	-	-	-	-	-	-	-	-
Other Responses	-	-	-	-	1	100	-	-

Summary of Main Comments Received:

148. The main comments received were:

- Responses favouring option RE2 often argued that it came closest to representing the real-world position.
- Several responses favouring option RE3 noted that this option would dampen the changes involved in moving from the existing position to one in which the control totals used in the grant distribution system were based on actual spending.
- An argument mentioned in some responses which preferred the status quo was that greater resource equalisation was simply a one-off presentational change based on appearing to match national funding with local spending levels.
- A number of responses preferring the status quo argued that moving to full resource equalisation (option RE2) would validate overspending.
- Other arguments given in responses that preferred the status quo were that it was perverse that some authorities spending above SSA lost grant and that it was perverse that some authorities spending below SSA gained grant.
- That any change to resource equalisation should be postponed until after the Balance of Funding Review had reported
- That RSG should be increased in line with the increase in the national control total
- That there was a need for additional local taxes
- That there should be an equalisation of relative tax burdens.

Predictability and stability

149. [Chapter 12](#)¹ of the consultation document raised two main issues of predictability and stability: how floors and ceilings should work, and whether data should be averaged (smoothed) over a period of years to reduce year-on-year volatility.

Part 1: Floors and Ceilings

Consultation options

150. Three options for change have been identified for calculating the adjusted base year grant amounts.

- Option BYG1 would split the national Council Tax for Standard Spending for the base year according to actual base year formula spending, not on adjusted base year formula spending.
- Option BYG2 would freeze the split of national CTSS between authorities for the period 2003/04 to 2005/06 at 2002/03 values.

151. Both of these would ensure that changes in function and funding do not affect adjusted grants for authorities not subject to these changes, but would not improve transparency or intelligibility.

- Option BYG3 would adjust actual base year grant by the difference between actual and adjusted base year formula spending amounts. This would be simpler and more transparent than the present process, and would ensure that changes in function and funding only affect grant for the authorities concerned. However it would not take into account an authority's ability to generate council tax income.

Additional exemplifications

152. No additional exemplifications were made available during consultation.

Number of responses

153. In total we received 252 responses that mentioned floors and ceilings. 213 of these were from local authorities.

Numerical analysis

154. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

¹ <http://www.local.odpm.gov.uk/review/consult/predict.pdf>

Option	Support		Reject	
	No.	%	No.	%
BYG1	32	13	3	1
BYG2	16	6	3	1
BYG3	56	22	2	1

155. The responses can also be broken down by support per class of authority:

	BYG1		BYG2		BYG3		(total all consultation responses)
	No.	%	No.	%	No.	%	No.
London Boroughs	-	-	1	17	5	83	39
Met Districts	9	82	-	-	2	18	39
Shire Counties	1	25	-	-	3	75	49
Shire Unitaries	4	31	1	8	8	62	44
Shire Districts	16	28	13	23	28	49	166
Police Authorities	-	-	-	-	1	100	27
Fire Authorities	-	-	-	-	-	-	23
Other Responses	2	13	1	8	9	75	225

Late responses

156. A further 18 responses that mentioned floors and ceilings were received after the end of consultation.

Option	Support		Reject	
	No.	%	No.	%
BYG1	3	17	-	-
BYG2	-	-	-	-
BYG3	3	17	-	-

157. Support per class of authority:

	BYG1		BYG2		BYG3		All late consultation responses
	No.	%	No.	%	No.	%	No.
London Boroughs	-	-	-	-	-	-	4
Met Districts	2	66	-	-	1	33	5
Shire Counties	-	-	-	-	-	-	2
Shire Unitaries	1	100	-	-	-	-	5
Shire Districts	-	-	-	-	1	100	10

Police Authorities	-	-	-	-	-	-	2
Fire Authorities	-	-	-	-	-	-	3
Other Responses	-	-	-	-	1	100	73

Summary of Main Comments Received

158. The main comments received were:

- The majority of authorities supported having a floor, although a large number of authorities rejected a ceiling. Many suggested that the floor should be paid for through additional grant from Central Government. A few authorities stated that they would prefer floors to be paid for by a top-slice of grant from all authorities.
- Many authorities urged the Government to make an early announcement of the floors and ceilings that were to be applied for 2003/04, and asked for announcement of indications of the levels of floors and ceilings for the next three years.
- A few authorities suggested that the floor guarantee should be based on the actual grant received in the previous year rather than a notional grant adjusted for changes in the funding and functions of local authorities.
- A few authorities that were in the ceiling for 2002/03 suggested that the base position for 2003/04 should be based on the grant entitlement before the ceiling limitation.
- A few authorities suggested that the formula increases due to LSVT should be exempted from floors and ceilings, as there was already a 3-year time-lag in the system before these increases came through.
- A few authorities suggested that the formula based on levies and statutory payments should be exempted from floors and ceilings, since if the floor increase was used up by increases in levies etc this meant that other services actually received a real-terms cut in grant.

Part 2: "Smoothing" - the use of more than one year's data

Consultation options

159. There were no exemplified options for this section. Instead, respondents were asked for views on

- whether the ACA data should be smoothed
- whether interest rates should be smoothed
- whether any other data should be smoothed in the new system.

Additional exemplifications

160. No additional exemplifications were made available during consultation:

Number of responses

161. In total we received 170 responses that mentioned smoothing. 146 of these were from local authorities.

Numerical analysis

162. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
ACA data	125	74	2	1
Interest rates	96	56	8	5

163. The responses can also be broken down by support per class of authority. (They are shown separately as they are not mutually exclusive):

	Support ACA data	Support Interest rates	(total all consultation responses)
	No.	No.	No.
London Boroughs	10	9	39
Met Districts	8	6	39
Shire Counties	18	11	49
Shire Unitaries	14	9	44
Shire Districts	57	46	166
Police Authorities	2	2	27
Fire Authorities	-	1	23

Other Responses	15	12	225
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Late responses

164. A further 10 responses that mentioned smoothing were received after the end of consultation.

Option	Support		Reject	
	No.	%	No.	%
ACA data	9	90	1	10
Interest rates	7	70	2	20

165. Support per class of authority:

	Support ACA data	Support Interest rates	All late consultation responses
	No.	No.	No.
London Boroughs	1	-	4
Met Districts	3	3	5
Shire Counties	-	-	2
Shire Unitaries	-	-	5
Shire Districts	2	2	10
Police Authorities	-	-	2
Fire Authorities	1	1	3
Other Responses	2	1	73

Summary of main comments received

166. The main comments received were:

- Most respondents supported smoothing of the area cost adjustment. Many commented that the uncertainty caused by late changes in 2002-03 had been unhelpful.
- Most respondents also supported smoothing interest rates data.
- There was some support for the wider application of smoothing beyond these two indicators specifically consulted on to other volatile indicators. However, few specific candidates were put forward.
- However, there was also much caution: in particular, anxieties about client group indicators (such as population), which many respondents felt should remain un-smoothed so as to let changes feed through.

Simpler presentation

167. [Chapter 13](#)¹ of the consultation document set out a proposal for presenting the allocations resulting from the new system in a simpler way, even if the underlying system remains relatively complex.

Consultation options

168. No exemplified options were proposed. Instead, respondents were asked whether they would favour the new system being presented in a simpler way, as illustrated in the consultation document.

Additional exemplifications

169. No additional exemplifications were made available during consultation:

Number of responses

170. In total we received 172 responses that mentioned simpler presentation of the system. 153 of these were from local authorities.

Numerical analysis

171. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses.

Option	Support		Reject	
	No.	%	No.	%
Simpler presentation	162	93	12	7

172. The responses can also be broken down by support per class of authority:

	Support Simpler Presentation	(total all consultation responses)
	No.	
London Boroughs	9	39
Met Districts	12	39
Shire Counties	20	49
Shire Unitaries	17	44
Shire Districts	76	166
Police Authorities	8	27
Fire authorities	2	23
Other Responses	18	225

¹ <http://www.local.odpm.gov.uk/review/consult/simpler.pdf>

Late Responses

173. A total of 10 responses were also received following the close of consultation

Option	Support		Reject	
	No.	%	No.	%
Simpler presentation	10	100	-	-

174. Support per class of authority:

	Support Simpler Presentation	All late consultation responses
	No.	No.
London Boroughs	-	4
Met Districts	3	5
Shire Counties	-	2
Shire Unitaries	-	5
Shire Districts	3	10
Police Authorities	-	2
Fire authorities	-	3
Other Responses	4	73

Summary of Main Comments Received

175. The main comments received were:

- The great majority of responses supported efforts to present the system in a more straightforward way, even if the underlying formulae are more complex. A number of responses went on to stress that fairness was more important than simplifying the formulae themselves, and that how formulae are presented should not affect distribution.
- A number of responses said that they would still want access to the full detail and data that underpin the formulae, so that they could validate the results. Some said they would still need to understand the underlying formulae in order to appreciate fully the figures.
- Some of the responses that did not favour a simpler presentation were concerned that it would make getting at the detail more difficult, lead to further confusion, or that it served little purpose if the underlying formulae themselves continued to be complex. A couple of responses argued that a simpler presentation should not be used to try and mask more controversial aspects of the system and some warned that an over-simple presentation could lead to a risk of incorrect conclusions being drawn.

- There was some agreement that care should be taken in presenting top-ups that work in a multiplicative way (for example the area cost adjustment.) It was argued that in this case an additive presentation might be less rather than more transparent.
- A more general point on presentation was that some responses argued there should be more openness about the consequences of spending plans for council tax. A few responses implied that what was important was understanding changes in grant – so it was unhelpful that the presentation set out in the consultation paper was complicated by the operation of floors and ceilings.
- To aid comparisons some argued for separately showing the components of each top-up, and giving the proportion of the control total distributed by each top-up. Others said that transfers due to changes in function would also need to be set out.

Merging Revenue Support Grant and National Non-domestic Rates

176. [Chapter 14](#)¹ of the consultation document set out a proposal for merging RSG and NNDR in order to simplify the current dual mechanism for distributing these funds.

Options proposed

177. No exemplified options were proposed. Instead, respondents were asked whether they would favour the merger of Revenue Support Grant and National Non-domestic Rates in order to simplify the grant distribution system.

Additional exemplifications

178. No additional exemplifications were made available during consultation:

Number of responses

179. In total there were 287 responses which expressed an opinion on the proposal to merge the payment of RSG and NNDR into a single grant stream. 233 of these were from local government

Numerical analysis

180. Before considering this please read carefully the explanation in the introduction (para 9) of the limitations of these analyses. However, it proved relatively easy to separate support and opposition to merging RSG & NNDR, so detailed figures have been given for both.

	Support		Oppose	
	No.	%	No.	%
Merge RSG & NNDR	42	15	230	85

181. The responses can also be broken down by class of authority:

	Support		Oppose	
	No.	%	No.	%
London Boroughs	3	17	15	83
Met districts	11	52	10	48
Shire Counties	1	3	29	97
Shire Unitaries	1	5	21	95
Shire Districts	16	13	108	87
Others	10	18	47	82

¹ <http://www.local.odpm.gov.uk/review/consult/merging.pdf>

Late responses

182. The corresponding analysis for the 15 responses received after the end of the consultation period is:

	Support		Oppose	
	No.	%	No.	%
Merge RSG & NNDR	3	20	12	80

183. Responses per class of authority:

	Support		Oppose	
	No.	%	No.	%
London Boroughs	1	50	1	50
Met districts	-	-	2	100
Shire Counties	-	-	-	-
Shire Unitaries	-	-	2	100
Shire Districts	-	-	5	100
Others	2	50	2	50

Summary of main comments received

184. The main comments received were:

- In general the responses closely followed those made during consultation on the draft Local Government Bill. Although a number of responses, including some which opposed the merger, agreed that the proposed changes would simplify the grant distribution system, the overwhelming view was that the two grant streams should not be merged.
- The principal reason put forward for opposing the merger was that it would break the link between local business on the one hand and local councils, local provision of services and local communities on the other.
- Other points made in some responses were that a merger would prejudice the Balance of Funding Review; that it would make it impossible to see whether authorities were net contributors or net recipients of redistributed national non-domestic rates; that it would impact adversely on the introduction of Business Improvement Districts (BIDs); and that it would make it more difficult to return business rates to local control.
- As an authority that has received no RSG for some years, Hart ran a campaign as a result of which residents sent in letters stating that they believed the situation to be unacceptable and calling on the Government not to penalise them as a result of the consultation.

Conclusion

185. The proposal to merge the payment of RSG and redistributed national non-domestic rates into a single grant stream was also one of the items included in the draft Local Government bill. Consultation on the draft bill took place during the summer. Following consultation on the draft Local Government Bill, the Government announced in its response to the Report of the Transport, Local Government and Regional Affairs Select Committee on the draft Bill that the two grant streams would not be merged.