

Committee:	Date:
Finance Committee	15 March 2018
Subject: Update on the Fair Funding Review	Public
Report of: Peter Kane – The Chamberlain Report author Caroline Al-Beyerty, Deputy Chamberlain	For Information

Summary

Central government funding for local authorities is based on an assessment of its relative needs and resources. The overarching methodology that determines how much funding each authority receives each year was introduced over ten years ago and has not been updated since funding baselines were set at the start of the 50 per cent business rates retention scheme in 2013/14.

The methodology is very complex and involves 15 relative need formulas and several tailored distributions for services previously supported by specific grants. These formulas involve over 120 indicators of ‘need’, reflecting factors previously identified as driving the costs of service delivery. It is widely agreed across the sector that the formulae are overly complex, lack transparency and, as they have not been updated for a long time, are now out of date.

The government is therefore undertaking the Fair Funding Review to update the needs formula and set new funding baselines for the start of the new 75 per cent business rates retention scheme, from April 2020.

As part of the initial stages of the review, the government has consulted on proposals to develop a new way of assessing need, based on a simplified “foundation formula” determined by a small number of key cost drivers - population, deprivation, rurality, and area costs - supplemented by a small number of service-specific formulae for service areas that require a more sophisticated assessment of needs. The consultation identifies these as:

1. adult social care;
2. children’s services;
3. highways maintenance and public transport;
4. waste collection and disposal;
5. fire and rescue; and
6. legacy capital financing.

Clearly a formula driven solely by these factors will not be advantageous to the City, so we have submitted the response shown in appendix 1, highlighting our unique circumstances mean that our service costs are also driven by a high daytime

population and unusually high density.

There is a national argument running on rurality v density, with the County Councils arguing for more funding for rural areas and metropolitan areas arguing that density brings its own challenges.

London Councils have set up a dedicated internet page on the subject which Members may find helpful, especially the timetable. It is a very ambitious timetable to implement changes for 2020/21, particularly given the difficulties of getting any proposals through Parliament.

<https://www.londoncouncils.gov.uk/our-key-themes/local-government-finance/fair-funding-review-2018/fair-funding-review-%E2%80%93-overview>

London Councils have also responded to the consultation, focusing on the continued need for deprivation and area cost factors to be included in the formula.

Recommendations

Members are asked to note the report.

Appendices

- Appendix 1 – Fair Funding Review Consultation Response

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