

Consultation Response

Fair Funding Review: A review of local authorities' relative needs and resources

Consultation response by London Councils

London Councils represents London's 32 borough councils and the City of London. It is a cross party organisation that works on behalf of all its member authorities regardless of political persuasion.

Summary

1. London Councils welcomes the opportunity to respond to the Government's technical consultation on relative needs and resources as part of the Fair Funding Review.
2. The way local government is funded is overly complex, lacks transparency and is out of date. We welcome this much needed reform, which must be the first step in establishing a more responsive and sustainable local government finance system.
3. However, the distribution of funding is a secondary issue to the overall level of funding available to local government. A decade of funding cuts and rising demand for local government services has put the financial sustainability of the sector in question. This must be addressed in the Spending Review.
4. This response firstly outlines our general comments regarding the consultation, followed by detailed answers to the specific questions on relative needs, relative resources and transition.
5. In summary, our general comments raise a number of concerns regarding:
 - the size of the overall quantum of funding for local government, which must be set at an appropriate and sustainable level in the Spending Review;
 - the lack of progress of the Review and the uncertainty this causes for our members;
 - the proposal not to include deprivation as a variable in the foundation formula;
 - the proposals that homelessness and concessionary fares are funded by the foundation formula rather than through separate formulae;
 - the evidence base being used to justify changes to the area cost adjustment;
 - the lack of detail about the level at which notional council tax will be set and its potential distributional impact;
 - the proposal to include parking income within the relative resources assessment; and
 - the lack of specific detail about transitional arrangements; notably, the length of the reset period.

General Comments

The overall quantum of funding for local government

6. While the Fair Funding Review (FFR) is a welcome opportunity to address the myriad issues with the current mechanism for allocating central resources, there is no escaping the inadequacy of the resources it distributes when compared with levels of demand.
7. Core funding from central government to local government (formula grant until 2012-13, and Settlement Funding Assessment thereafter) has fallen by 64% in real terms on a cumulative like-for-like basis (i.e. comparing published outturn figures with prior year adjusted figures) over the decade to 2020. London boroughs have seen a 63% reduction, which represents a cumulative real terms cut to core funding of almost £4.2 billion. Using the Government's own definition of revenue "spending power", London boroughs will have seen a real-terms cut of 28% by 2020 compared with 23% across England overall.
8. Over the same period, demand for local government services has increased hugely. London's population will have grown by around 1 million people to over 9 million. Since the funding formula was last recalculated in 2013, London's population will have grown by over 700,000 by 2020: the equivalent of providing services to two cities the size of Newcastle upon Tyne without any additional funding.
9. In addition, councils now have to do more than they did a decade ago. New duties and responsibilities have been transferred from central to local government, with additional costs. For example, the transfer of public health, local welfare provision, and the localisation of council tax support; the impact of national policies like the National Living Wage; and the impact of new legislation, such as the Homelessness Reduction Act 2017, Children and Social Work Act 2017, and the Children and Families Act 2014, have all added further financial pressure. We estimate that these cost shunts total around £1 billion per annum for London boroughs.
10. The mismatch between demand and resources is putting acute pressure on services provided to some of the most vulnerable people in our society. The LGA estimates that the sector-wide funding gap will be £8 billion by 2024-25, with £3.1 billion in 2019-20. In London alone, funding cuts and rising demand for services mean, London boroughs need to make almost £400 million of savings next year (2019-20), as part of almost £2 billion planned over the four years to 2022. Boroughs plan to use a third of their earmarked reserves over that period to balance their budgets. This trend is simply not sustainable.
11. As such, we support the LGA's view that the Review should not be taking place in a "revenue-neutral" manner and urge the Government to provide additional resources as part of the 2019 Spending Review to ensure that no single authority will see their funding reduce as a result of the Review. The Spending Review must put local government finance on sustainable footing over the long term.
12. Not only does this mean appropriate levels of funding, it means giving greater consideration to the appropriateness of council tax and business rates as the primary funding mechanisms for local government. Both are in need of reform. We believe councils should have access to a broader range of revenue raising powers to provide a more reasonable balance of funding streams, rather than being too dependent on two specific taxes. We also believe councils can deliver much more if central government devolves more powers to them. We continue to advocate the recommendations of the London Finance Commission 2017, which called for devolution of a range of property and other taxes to London Government, and are equally applicable to other cities and city regions.

The progress of the Review

13. London Councils is concerned about the progress of the Review since the last consultation a year ago. The current consultation includes a number of open-ended questions, which suggests there are still not clear views on how to proceed in a number of areas. For example, there remains little detail about the service specific funding formulae, in particular the children's services and adult social care formulae, which together account for over half of the spending on services that will be funded by the formula.
14. The consultation provides no certainty about the potential scale of the impact of the proposals on funding levels. The uncertainty caused by the Review, together with the Spending Review and the 75% business rates retention reforms, mean that with just over a year until implementation, local authorities have no reliable basis on which to plan their budgets beyond 2019-20. At the moment, it is unclear how much funding there will be from April 2020, how it will be distributed, and the means of delivery.
15. It was disappointing that the consultation did not provide authorities with a sense of scale in relation to which elements are the most significant and which will have the greatest bearing on their future funding levels. This would at least give our member boroughs some information to base future budget assumptions on. We urge the Government to set out - as soon as is possible - illustrative figures to provide authorities with a sense of the distributional impact of the different elements within the formula. This is essential to aid financial planning and the efficient use of public money.
16. We also urge the Government to publish the final funding allocations for 2020-21 as early as is possible, and to commit to publication of the settlement in early December each year thereafter – as recommended by the Hudson Review.

Relative needs

17. With regard to the relative needs formula, London Councils remains supportive of the Government's approach to developing a 'foundation formula' for services that is not driven by unique cost drivers. However, we have significant concerns regarding the consultation proposals in the following areas:
 - the omission of deprivation from the foundation formula;
 - the inclusion of homelessness in the foundation formula;
 - the inclusion concessionary travel in the foundation formula;
 - the proposed amendments to the area cost adjustment;
 - the treatment of small but locally significant duties; and
 - the robustness of population projections.

18. We deal with each below.

The omission of deprivation from the foundation formula

19. London Councils is surprised and extremely concerned by the proposal not to include deprivation in either the upper or lower tier foundation formulae. We agree with the LGA that this proposal should be reversed and deprivation should be included.
20. In its technical consultation on relative need, published in December 2017, the Government set out a proposal to include deprivation as a common cost driver within the foundation formula to reflect "the fact that deprived individuals, and particularly income deprived individuals, are more likely to access certain services than more prosperous individuals, leading to higher costs". There was broad consensus among respondents on the need to take deprivation into account (86% agreed). It is, therefore, very disappointing that the Government has chosen to disregard the overwhelming weight of opinion in favour of its inclusion in this proposal.

21. We are also concerned about the evidence underpinning this decision. It is not clear what measure of deprivation was used in the regression analysis reported in the consultation document. Deprivation is, to some extent, a subjective term. It can be measured in different ways. We believe that deprivation measures that relate to income, for example, should take into account the relative costs of housing as this is a more robust measure of real disposable income and reflects the higher costs of living in urban areas like London.
22. Without knowing what single measure the Government used, we cannot accept the figures in the document that show “deprivation” as explaining only 4% of the variance in expenditure on upper tier services and only 0.4% on lower tier services, above purely population. Also, the regression analysis has been applied to the aggregate costs of services included in the foundation formula, but nothing has been published about how services like waste disposal, public transport, libraries and homelessness are differently affected by deprivation. We ask that a more detailed account of the method and the full set of results be published as a matter of urgency. This will aid transparency: one of the guiding principles of the Review.
23. Notwithstanding the lack of detail about the exact measure used, the analysis clearly demonstrates that deprivation is the second most important factor after population for services to be funded via the upper tier formula. Even if 4% is correct, which is by no means proven, we would consider it to be sufficiently large to justify inclusion, given the sums of money involved.
24. Individuals in more deprived areas are more likely to contact the council about the broad range of services and support that they provide, thereby increasing the need for customer service staff; they are less likely to be able to afford a private vehicle, and are more likely to be reliant on public transport, particularly to get to work; they are more likely to use the wide range of services provided by libraries including computer access, and educational services; they have less disposable income to spend on leisure and are, therefore, more reliant on free and subsidised public provision, such as through local authority run leisure centres and gym equipment in public parks. Moreover, local authority areas with significant local deprivation are likely to require larger planning departments to service urban regeneration and housing projects.
25. As part of its work on the Review, the MHCLG/LGA Technical Working Group agreed on the need for a mechanism to “sense check” the results of expenditure-based regressions¹. We believe that the consultation proposals regarding deprivation exemplify why the Government must not only share its results with the sector, it must sense check them with us too.

The inclusion of homelessness in the foundation formula

26. In line with the LGA, we are extremely concerned that the current proposals will not sufficiently reflect the relative costs of homelessness across the country. Local authority homelessness prevention and alleviation services provide an essential safety net for some of the most vulnerable people in our society. This is an environment where statutory homelessness in England has risen by 66% since 2010, far outstripping the equivalent rise in population.
27. Given this huge rise in demand in recent years, the Government’s contention that there should be no homelessness formula “on the basis that... there is no separate formula for homelessness in the current methodology” (con doc para 2.2.90), is particularly weak.
28. The complete mismatch between the distribution of the general population and homelessness numbers, suggests there should be a separate formula. In 2017, London had 68% of England’s total

¹ See bullets 2 and 3:

<https://www.local.gov.uk/sites/default/files/documents/Quick%20summary%20of%20Fair%20Funding%20Review%20Technical%20Working%20Group%20meeting%20%28full%20minutes%20to%20follow%29.pdf>

households in Temporary Accommodation, despite having only 16% of the total number of households. The revenue outturn figures, published in the technical paper alongside the consultation, show that half (£252 million) of the total £508 million net national expenditure on homelessness in 2017-18 was by London boroughs. With London only having 16% of the population, it is extremely difficult to argue credibly that homelessness should be funded on a largely per capita basis.

29. While, on average, homelessness represents a relatively small proportion of net expenditure for the majority of councils, we believe the high level of spending by a minority of councils is another reason to justify a bespoke formula. Analysis of the 2017-18 revenue outturn figures shows that 69 authorities spent more than 5% of their total spending on services that are to be funded by the overall formula, on homelessness, and 12 spent more than 10%. Clearly, it has a disproportionate impact on spending in certain authorities who will be severely penalised by a per capita formula.
30. We also believe the scale of spending justifies its own formula. Taking the estimated £340 million net expenditure figure quoted in the consultation document at face value, this is more than three times the size of the £92 million net expenditure on flood defence and coastal protection, which are proposed to have their own formula. However, we would contest that only £340 million is spent on homelessness and ask that the Government to set out its calculation of this figure in full.
31. The complexity of cost drivers for homelessness is another reason it should have its own formula. Demand for homelessness prevention and remediation services is driven by unique cost drivers that are not correlated with the overall size of the population. The interaction with the benefits system, for example, should be carefully taken into account. We believe the most important cost drivers include the relative costs of living (in London over 50% of homeless households are in work²), and underlying costs of property, which together drive housing affordability. Levels of renting in an area and the underlying rental market should also be considered, as much of the increase in statutory homelessness in London is attributable to the sharply rising numbers made homeless from the private rented sector (up from 10% to 31% of all cases in London between 2009-10 and 2016-17). Clearly, the underlying costs of residential property play a role in both the demand for homelessness services – but also in the costs of alleviating it through temporary accommodation, which we believe should be taken into account within the Area Cost Adjustment (ACA) (see response to Question 4 below).
32. Finally, we believe Homelessness is sufficiently dissimilar to other services being funded by the foundation formula, such as waste services, environment, sports and recreation and central services to justify its inclusion.
33. Given the importance of the service, the uneven distribution of expenditure, the relative scale of spending, the complexity of the drivers of need to spend, and the fact it is dissimilar to other services proposed to be funded by the foundation formula, there is a very strong argument for a service specific formula.

The inclusion of Concessionary Travel in the foundation formula

34. London Councils disagrees with the proposal to fund Concessionary Travel through the upper tier foundation formula. London boroughs already have an estimated funding gap of over £200 million within this service area. The current proposals – which mean it would be funded on a largely per capita basis - are likely to increase this shortfall significantly.
35. Again, this is because a simple per capita formula would not adequately reflect the need to spend on this service area. While London boroughs have 16% of the national total population, they accounted for around 29% of the national expenditure on concessionary fares in 2017-18. Together with

² Shelter, "In work, but out of a home" July 2018, p8

metropolitan districts, London boroughs have 38% of the population but account for 59% of expenditure. County councils, conversely, account for 25% of expenditure in 2017-18 but, with 40% of the population, would stand to gain significantly under the proposal.

36. The fact that there are statutory eligibility criteria for concessionary fares (for pensioners and the disabled) makes a simple per capita approach using overall population inappropriate. At the very least, a measure of the *eligible* population for statutory concessionary fares should be used, and we feel it is more appropriate to use a formula that models the likely usage (as under the current system).
37. We believe the overall scale of spending (over £1 billion nationally on Concessionary Travel) and the fact that, for some authorities, it represents a significant proportion of spending - with 11 authorities spending more than 5% of total expenditure to be covered by the overall formula on this service in 2017-18 (10 of which are London boroughs) - mean a separate formula would be more appropriate. We note the fact that the Government has not yet made a final decision and is carrying out further analysis on potential alternative approaches in order to determine whether this approach adequately reflects local authorities' relative needs. We urge it to share those alternative approaches with the sector as soon as possible.

Proposed amendments to the Area Cost Adjustment

38. London Councils believes there is a lack of evidence to support the inclusion of travel times and a remoteness as new adjustments within the area cost adjustment (ACA) – and we strongly oppose their inclusion on this basis.
39. The Government has not made it clear what has changed since the last formula in 2013 – and indeed all of the previous iterations of the ACA - to warrant the inclusion of these two new factors. No other area cost adjustment, we are aware of, that is used in public sector funding formulae (the Market Forces Factor used in NHS allocations, the Education ACA, the Early Years Funding formula ACA, the Police funding formula ACA) includes such factors. They all largely reflect labour cost and property cost differentials. Such a significant methodological departure from the historic precedents and wider norms, in our view, requires far stronger evidence than has been proposed.
40. We are especially concerned about the fact that these two new factors will now be included in the ACA that will be applied to all bar one of the relative needs formulae. The consultation document fails to demonstrate that remoteness and journey times are so universally relevant that they should be applied to virtually all services. In 2014, the Government commissioned independent research to investigate the impact of rurality on service delivery costs. Local Government Future's research concluded that there was a link between sparsity and unit costs in 11 services, accounting for £7 billion or 15% of overall local authority spending. However, sparsity was "significantly and negatively" associated with unit costs in 15 services, accounting for £14.6 billion or 31% of total expenditure. We agree that sparsity drives higher costs for *some* services. But we disagree with the giant leap from this conclusion to reflect this in the structure of the formulae for almost all services. We believe that these measures should only be included within the relevant service formulae where there is robust evidence to show they have a significant impact in driving cost, and they should be included as separate variables rather than in an overarching ACA.
41. We are also concerned that these additions to the ACA may lead to double-counting. For example, the service specific formula for public health includes a sparsity adjustment for health visiting services – which is similar to the proposed remoteness and travel time elements. Whichever way these measures associated with rurality are taken account of in the formulae, they should be evidence-based and should only be counted once.

42. Finally, if the intention is for there to be an overarching ACA rather than bespoke ones for each service formula, then London Councils believes domestic property costs should be taken into account within the ACA as well as non-domestic property. As mentioned in paragraph 28 above, much of the higher costs of homelessness experienced by London and other urban areas is because of higher property costs driving more expensive temporary accommodation. London boroughs spent a gross total of £750 million on TA in 2017-18: 76% of the £986 million spent across England. London's unique property market must be reflected in the ACA and must be weighted appropriately in a formula that includes homelessness. It is likely that residential property costs have a bearing on other services where accommodation is a core constituent of the service, such as residential care for the elderly and for children, and we would urge the government to explore this in more detail.

Treatment of small but locally significant duties

43. London Councils is disappointed that the proposals do not include specific formulae to reflect the higher costs incurred by some areas of Unaccompanied Asylum-Seeking Children (UASC) and those with No Recourse to Public Funds (NRPF). The increasingly constrained financial circumstances of local authorities mean that extra duties on them must be met with corresponding additional resources.
44. The costs of supporting people with NRPF – for which councils receive no direct funding - are estimated to be in excess of £50 million per annum across London. This cost is not evenly spread and a group of six boroughs currently accounts for two thirds of NRPF expenditure in London. These boroughs typically spend between £3 million and £8 million per annum on supporting this vulnerable group.
45. The cost of supporting Unaccompanied Asylum-Seeking Children (UASC) in London is significant and disproportionate compared with other areas. London boroughs are home to 34% of the national UASC population and spend over £50 million per annum on them. The introduction of the National Transfer Scheme (NTS) was a positive step forward, helping to relieve some of the pressure on London. Nevertheless, the participation of local authorities is voluntary. Even with this in place, two thirds of boroughs are currently over the 0.07% threshold: some significantly so. In addition, following the Children and Social Work Act 2017, councils are now responsible for care leavers up to the age of 25, but without sufficient funding. Our estimates suggest that the shortfall between funding and expenditure on UASCs in London is around £18 million per annum.
46. Expenditure on these two service areas is significant for certain London boroughs. One borough spent £18 million on these two services combined in 2016-17 – over 5% of their expenditure on services to be funded by the new formula (for two others expenditure exceeded 3%).
47. If no separate formula for UASC is included, then we ask that the specific cost drivers around this group of children are accurately reflected and weighted within the Children's services formula. With regard to NRPF, we recognise that the drivers of these pressures are complex and may be better suited to be funded by specific grants than within the main local government funding baseline. The important point, however, is that they must be funded properly within the 2019 Spending Review.

Population projections

48. We welcome the Government's intention to use population projections within the foundation formula to improve accuracy over reset periods – something we have previously called for. However, we believe further consideration should be given to the robustness of the ONS projections.

49. In particular, we are concerned about the starting point from which projections are built – the Census. There has historically been significant undercounting within “hard to count” areas like London and other large urban areas that have comparatively transient and more mobile populations. Particularly prior to the 2011 Census, population projections proved to be consistently lower in London than the actual population, meaning London boroughs were significantly underfunded over a number of years. For example the 2012-13 formula grant was based on a population figure for London that was undercounted by around 375,000. In the 2011 Census, London’s population was undercounted by at least 70,000, as short-term migrants resident for less than 12 months are not included, and London had 16 of the local authorities with the 20 lowest response rates. On average, response rates were 88% in inner London and 92% in outer London compared with 94%-96% for all other regions.
50. We also have concerns regarding how birth rates and migration are taken into account in the projections. The current methodology does not take into account ethnicity. The proportion of live births to non-UK mothers is higher than that of UK born mothers; 2.09 to 1.76 (roughly one more child per five mothers for the non-UK born population). This will have a higher impact in London as it has a more ethnically diverse population. Similarly, the current metric discounts women over the age of 44, which in the future will likely need to be adjusted given births to women age 45 and over are rising, having increased by a third since 2010. With regard to migration, there are issues with using GP registrations as many migrants are not registered at their local GP, and the high amount of inter-borough migration may mean that residents are still registered at their old surgery or health centre in a different borough or local authority. ONS acknowledges potential issues in migration data, particularly the issues on GP registrations, sensitivity to student populations and relatively high year on year variance of international migration. ONS notes that these are likely to result in inaccuracies for younger people, which will more heavily affect London due to its younger population. London Councils believes that closer consideration of how fertility and migration are measured in population forecasts is required.
51. We therefore ask that the methodology used by the ONS for projecting population changes be scrutinised by the Fair Funding Review technical working group, to ensure that it is robust and adequately reflects areas with transient populations and hard-to-count individuals.
52. More broadly, the next Census is due in 2021. It is not clear how the information provided might be used in any future funding formulae. For example, it could be used to sense check the population projection figures and, if there are significant variances, these could be used to adjust baselines as a result. The Government must be clearer on this issue.

Relative resources

Council tax

53. We note the decision to use a notional council tax level and understand the reasoning. This is not new: all formulae since the early 1990s used notional levels to a greater or lesser extent.
54. However, we are concerned about the lack of detail regarding the level at which the notional council tax level will be set, as well as its distributional impact. The explanation of how the notional level interacts with both the resources and needs shares is particularly unclear in the consultation document (paragraphs 3.2.22 to 3.2.35). The Government must explain this more clearly and provide illustrative exemplifications as soon as possible. This will aid the sector’s understanding of the proposals and improve transparency. Without this, authorities that have historically set low tax rates will be concerned that a notional rate may penalise them for those historic decisions, especially given the current constraints imposed by the referendum cap, which means they could effectively never “catch up” to a notional rate.

55. The fact that local resources are being debated within the Review highlights the broader issue of the inadequacy of council tax – and its affordability - in its current form and the need for reform. The tax is regressive, has not been revalued since 1991, in the last decade has been subject to a freeze grant incentivisation scheme, a referendum capping regime and, following the introduction of the adult social care precept in 2016-17, hypothecation by central government. London Councils opposes the principle of capping council tax increases and believes the referendum limit should be lifted completely, allowing councils to address spending pressures in the ways that most affect them locally. No central government tax is subject to the same referendum principle. Councils, like central government, should be held to account for their decisions through the ballot box.
56. The Government should use the opportunity provided by the Review to consider the broad policy implications of its proposals and to be clearer about its future intentions regarding the tax. Specifically, we ask that the Government make its intentions clear about whether the referendum cap will be lifted, and to set out its vision for the role of council tax within the overall funding of local government. For example, the Government should indicate whether it wants to see council tax comprising a greater proportion of future local government funding.

The inclusion of parking income

57. In common with the LGA, we strongly disagree with the proposal to consider the inclusion of parking fees and charges income within the measure of local resources. We have a number of objections including:
- There is no logical reason for singling out this one service area and it is inconsistent with the Government's general view that sales, fees and charges should not be directly taken into account within the local resources assessment.
 - Parking income is statutorily ring-fenced and can only be spent on highways and transport services. Local authority powers to operate and set parking related charges are defined and constrained by legislation. If this were to be used within the broader equalisation of General Fund resources we believe it would require changes to primary legislation.
 - The inclusion of parking income would add significant complexity to the current system, which already takes into account sales, fees and charges income indirectly by using net current expenditure within its expenditure-based regression models. Singling out parking income would mean that a different approach would need to be taken for highways expenditure than for all other services which, rather than simplifying the formula, would add further complexity and inconsistency.
 - In addition, we believe that including parking income would be incompatible with the Government's own principle about rewarding or penalising authorities for exercising local discretion, as surplus parking income is the result of locally determined parking policies that consider a wider range of factors than simply cost recovery of service provision.

Transition

58. London Councils broadly supports the principles set out that the transition process should promote stability, and transparency, be time-limited and flexible. However, we are concerned about the lack of detail regarding the proposals for transition with just over a year to implementation. Given the concerns raised above regarding the proposed exclusion of deprivation from the foundation formula, the changes to the ACA, and inclusion of parking income within the measure of local resources, we are concerned that the new formula will have a detrimental impact on the funding allocations of London boroughs. They may experience significant volatility in moving to the new baselines. We reiterate our

support for the LGA's proposal that no authority should be financially worse off as a result of this review.

59. We welcomed the current multi-year settlement, which provided a degree certainty over funding for four years: it is important that councils have certainty over funding in the new system. We are therefore surprised that the consultation does not say anything about the length of the "reset period" i.e. the period of time the new formula will be used before funding baselines will be recalculated. This is really important to the operation of the new system and clearly has a bearing on the transitional arrangements. There is also an overlap between the resetting of the business rates baselines (on which the Government is consulting separately) which could also cause significant volatility for individual authorities who have experienced growth since 2013-14. We urge the Government to provide further details on transition, including the length of the reset period, and the interaction with the reset of business rates baselines, as soon as possible.

London Councils, February 2019

Questions

Question 1): Do you have views at this stage, or evidence not previously shared with us, relating to the proposed structure of the relative needs assessment set out in this section?

60. We reiterate our significant concerns set out above regarding the proposal not to include deprivation as one of the cost drivers for the foundation formula. Furthermore, although the Government has committed to ensuring that deprivation is appropriately accounted for in four of the service specific formulae, it still has not said how it intends to do so.
61. Whichever approach the Government takes, London Councils believes that any measures of income deprivation that are used within formulae must appropriately take account of the costs of housing which are significantly higher in the capital and other major cities. When the costs of housing are taken into account London has median income lower than the national average. The Government must therefore undertake more work to identify key deprivation variables as a matter of priority, as this is such an important driver of demand for many demand-led services.
62. We also have significant concerns regarding the proposed ACA, and the potential for remoteness and travel times to have a significant bearing on all service formulae (except legacy capital finance). The Government must, as a matter of urgency, provide more clarity about how it intends to weight the components of the ACA (within the ACA), how it intends to weight each individual needs formula, and how it intends to weight the relative components within each formula including the ACA.

The Adult Social Care Formula

63. We agree that Adult Social Care (ASC) requires its own service specific formula and that the proposed approach of separate formulae for 18-64 and 65+ age groups is appropriate. However, it is disappointing that the consultation did not include more detail about the formulae proposed. ASC is the biggest area of expenditure for local government and the determination of this formula will have a big impact on the funding of individual authorities. We urge MHCLG to publish the technical paper referenced in the consultation document as soon as possible.
64. We believe this must include a detailed explanation of all cost drivers, all services to be funded and details of the cost driver data refresh. The latter must specifically set out how it intends to address the limitations of 2011 Census data. It must also include details of the approach to weighting between the two component formulae. We would expect this to broadly reflect the split of net current expenditure that is currently attributable to the over 65s and working age adults. The 2018-19 Revenue Account Budget data shows that, of the expenditure that can be attributed by age, 55% is spent on working age adults and 45% on over 65s, with very little variation between authority types.
65. Similarly, two specific areas of Adult Social Care (Learning disability support for working age adults; and physical support for people over 65) together account for 68% of all expenditure within ASC - again, this is broadly the case across all authority types. Therefore, the drivers of demand for these two areas should be considered in detail and given more weight in the new formula.
66. London Councils continues to have concerns about using the number of adults with income and wealth that meet the means test as a variable. Specifically, the definitions of income and wealth must take account of the large regional variations in the property market, particularly given that the means test threshold is set nationally. The average London house price as of November 2018 is £472,901, roughly 91% higher than the England average of £247,430, whereas the median salary of £35,716 is around 20% higher than the England average of £29,869, meaning that measures of income and wealth used will have a different effect on eligibility for any means test and not necessarily reflect regional living costs and standards.

67. More widely, the approach to assessing need through the ASC formula will need to be congruent with the proposals in the long overdue ASC Green Paper. While we agree that it is important to get the design of the policy right, this cannot be used to delay potentially difficult decisions indefinitely. The publication of the Green Paper has already been delayed from summer 2017 to the end of 2017, then to before the parliamentary summer recess of 2018, then again to the autumn of 2018, and again to before the end of 2018. It will now be published “at the first opportunity in 2019” but with no indication of when this might be. The ongoing uncertainty is extremely unhelpful for local authorities trying to plan for future provision of adult social care services.

The Children and Young People’s Services Formula.

68. We agree that Children and Young People’s Services (CYPS) require their own service specific formula. However, again, we are concerned by how little information is available at this stage in the process. We are further concerned that the consultation document does not say when the children’s services data research project will be completed or when it will be made available to the sector. In the interests of transparency, we recommend that a suitable representative group such as the Technical Working Group be given the opportunity to “sense check” the research prior to publication with enough time to allow for any concerns expressed by the sector to be taken into account.

69. Notwithstanding the wider point above, the research and resulting proposals must ensure that the costs associated with UASC, and UASC care leavers, are fully accounted for in light of the decision not to provide for needs in this area through a service specific formula. As set out in paragraphs 42-44 above, the cost of supporting UASC in London is disproportionately high compared with other areas, with London boroughs being home to 34% of the national UASC population, and spending over £50 million per annum on them.

The Public Health Formula

70. London Councils is broadly supportive of the new approach based on an updated public health formula, but we await the publication of a planned technical paper before being able to make final comments. We are unclear as to the reason for the delay in providing this detail as the ACRA review of the public health formula had its consultation phase in 2015.

71. We agree with the proposal to include standardised mortality ratios for those under 75. However, 75 as an age cut off is of decreasing relevance as life expectancy is increasing. The social care formula already acknowledges this, adding a weighting for population over the age of 90. Alternatively, rather than 75, life expectancy could be a good proxy; currently in England this is 81. We would also suggest greater consideration of measures of other measures of deprivation. We also welcome the specific sexual health component in the new formula, estimating predicted costs by age-gender based on activity data for sexual health treatments in England and characteristics known to be associated with need.

72. We are concerned that the proposed sparsity adjustment for health visiting services might lead to double-counting. While we do not disagree with the basic point that some account should be made for the longer journey times for some health visiting services, this is already being proposed via the area cost adjustment.

73. Local government has continued to deliver strong public health outcomes despite a reduction in funding of £700 million since 2014-15. However, continuing to cut public health funding is not sustainable, and cutting funding for public health while increasing investment in the NHS is a false economy. We would stress the importance of continued and increased investment in public health whatever the details of the new system may look like.

The Highways Maintenance Formula

74. While we agree that road length and traffic flow are the major drivers of spend in this area, we are disappointed by the decision to rely on them alone. We believe the formula should include the classification of roads, as the costs of maintaining roads in built up areas are likely to be higher than in less developed areas. We also believe the volume of heavy goods vehicles in particular is an important variable that impacts on the frequency with which roads need maintenance. The existing highways maintenance RNF uses “daytime population per km of road” as a specific cost driver, which we believe is still relevant to consider within the formula.
75. It is not clear whether these factors were included in the Government’s analysis. The consultation document states only that “other cost drivers” were tested but did not significantly improve the precision of the formula - beyond road length and traffic flow. It is important that the wider supporting evidence is made available to the sector for the purposes of transparency.

The Legacy Capital Finance Formula

76. London Councils supports the inclusion of a relative needs formula for legacy capital costs as they were previously funded directly through the local government finance settlement. It is right that the ongoing cost implications of historic borrowing commitments continue to be funded by central government. We also agree that debt repayments and interest charges are the two main cost drivers driving legacy capital financing costs. However, in the interests of transparency we would welcome further information on how the assumed debt repayment and assumed interest charge amounts are to be derived. The approach used in the existing relative needs formula – based on historic debt, credit approval limits and supported capital expenditure – appears to be sensible and captures the two main cost drivers.

The Flood Defence and Coastal Protection Formula

77. London Councils welcomes the acknowledgment of flooding as an important cost issue for local authorities. London is at risk of tidal flooding from the River Thames; flooding from other rivers, such as the Ravensbourne or Quaggy; surface water and ground water. London, like most urban areas, is most vulnerable to surface water flooding. This is because built up areas have reduced natural drainage and heavy rainfall can swiftly overwhelm the drainage network, quickly leading to flooding of low-lying areas. Climate change is projected to increase the frequency and intensity of heavy rainfall, whilst London’s growth will mean that more people, property and infrastructure will be at risk.
78. In terms of the cost drivers being proposed, while length of water course is an important consideration, we suggest that the volume of water concerned is also worth considering, as is the regularity with which qualifying water courses have flooded in the recent past. The main missing cost driver is an appropriate metric to account for surface water flooding. According to the Met Office, total rainfall from extremely wet days in the UK has increased by about 17% from the 1961-1990 average 64.0 mm to the 2008-2017 average of 75.0 mm³.

Question 2): What are your views on the best approach to a Fire and Rescue Services funding formula and why?

79. We support the GLA’s views on the Fire and Rescue Services formula. We are not convinced of the case for making any fundamental changes to the current fire and rescue relative needs formula.

³ The Met Office, 1 November 2018: <https://www.metoffice.gov.uk/news/releases/2018/climate-extremes-report-supplement>

London Councils would therefore support updating the existing indicators (including population) to reflect the most recently available data while retaining the existing weightings and supplementary top ups. Density – both in terms of resident and daytime population and the concentration of high rise residential and commercial developments - is, in our view, a key driver of fire risk, and a simplified regression-based formula (as envisaged) based solely on resident population, proportion of residents aged over 65 and 'deprivation' would fail to reflect actual relative risks.

80. While we also recognise that there is an argument for some recognition of sparsity and rurality (e.g. in terms of home safety visits) this is not a material factor in terms of overall expenditure. Therefore, we would not favour increasing the existing sparsity weighting in the current formula. We are also unconvinced of the case for modifying the current fire area cost adjustment for accessibility and remoteness as the ACA is intended to reflect differences in input costs such as general labour market wages and rents/business rates, rather than duplicate factors already reflected in the relative needs formulae.
81. We are aware that the Home Office is developing a multi-level model using fire incident data as a proxy for relative risk. We ask for the opportunity to assess this in more detail and understand the proposed methodological approach before commenting on its suitability. However, an incident data approach may be overly simplistic and result in misleading outputs as it would fail to take into account the scale of an incident and resulting call on resources. This work should therefore seek to consider the risk of an authority experiencing major incidents rather than on purely the number of incidents. This ultimately highlights the need for the recognition of density and daytime population in the formula

Question 3): What are your views on the best approach to Home to School Transport and Concessionary Travel?

82. With regard to concessionary travel, as set out above, we do not believe this should sit within the foundation formula. A simple per capita formula would not adequately reflect the need to spend on this service area. While London boroughs have 16% of the national population, they accounted for around 29% of the national expenditure on concessionary fares in 2017-18.
83. The fact that there are statutory eligibility criteria for concessionary fares (for pensioners and the disabled) makes a simple per capita approach using overall population inappropriate. At the very least, a measure of the eligible population for statutory concessionary fares should be used. We believe the overall scale of spending (over £1 billion nationally) and the fact that, for some authorities, it represents a significant proportion of spending - with 11 authorities spending more than 5% of total expenditure to be covered by the overall formula on this service in 2017-18 (10 of which are London boroughs) - mean a separate formula would be more appropriate.
84. On home to school transport, again this may be more suitable as a separate formula, or to be combined within the children's services formula. London boroughs have experienced a significant increase in demand for this service in recent years, largely driven by the rise in children with SEND. They overspent collectively on SEND transport in 2017-18 by around £1 million per borough. A simple per capita formula is unlikely to reflect the true drivers for demand and the Government should reconsider the proposal to include this in the foundation formula.

Question 4): What are your views on the proposed approach to the Area Cost Adjustment?

85. As set out in the commentary (paragraphs 35 to 39), London Councils strongly opposes the inclusion of travel times and a remoteness as new adjustments within the Area Cost Adjustment (ACA). It has not demonstrated the existence of the problems these measures are supposedly solving; it has not quantified the tangible impact of introducing these measures; and has not given any indication of the number of communities affected by these problems. We especially feel there is a lack of evidence to

support their inclusion in the ACA that will be applied to almost every service formula. Such a significant methodological departure from the historic precedents and wider norms, in our view, requires far stronger evidence than has been proposed.

86. Specifically, the consultation presents remarkably little evidence to justify the addition of a new journey times factor to the labour cost adjustment, or to back up the claim that “areas with greater journey times incur higher labour costs”. Our own analysis of the 2018 gross weekly earnings (ASHE data), shows that comparing both the median and mean pay across all local authorities with the DfT’s average journey times data (referred to in the consultation) shows a very weak correlation (and R-squared of just 0.11). Simply stating that it has identified “two robust and evidence-led measures” (traversal and dispersal) does not in itself constitute robust evidence: far more analysis and information are required and we urge the Government to publish this.
87. The consultation document contains no evidence demonstrating how remoteness meets its own criteria set out in paragraph 2.3.4 for the ACA. Nor does it explain what additional accuracy is provided by its inclusion. If there is an issue that requires redress then the evidence must be provided for scrutiny, and equal consideration must be given to issues associated with densely populated urban areas.
88. We point out that many seemingly remote communities are part of a larger local authority that commissions services for the whole area, thereby ensuring that contracts for the provision of goods and services are of sufficient scale to be attractive to potential suppliers. It is also worth noting that many authorities co-commission or share services in order to share the benefits of economies of scale. There are many examples of London boroughs sharing services in order to realise the savings required as part of the deficit reduction programme. It therefore seems unfair that some authorities are expected to share services to make savings, while others may be effectively subsidised for not doing so. If an authority is experiencing additional costs due to its contract value for a given service being too small, then it should either co-operate with other authorities or accept the consequences of not doing so as a policy choice as other authorities do.
89. For those where the authority itself is considered remote, we would again be keen to understand more of how many communities are affected, the size of the communities affected, and the estimated additional cost attributable entirely to their separation from major markets. The example given in the consultation document is that of the Isle of Wight, and we question the proportionality of this. The Isle of Wight has a population of just under 141,000: just 0.0025% of England’s population, and is equivalent to just under half the number of people living in the London Borough of Greenwich. It seems disproportionate to make an adjustment to the national needs assessment to account for marginal differences affecting such small communities living in atypical circumstances.
90. We would also question just how “remote” this community really is. The Isle of Wight’s official tourism states that there are up to 200 Isle of Wight ferry crossings a day operating from Portsmouth (population 214,718) Southampton (population 252,359) and Lymington. It is therefore difficult to argue that it is poorly connected to significant population centres. In terms of time to complete the journey, a Wightlink ferry will take about 45 minutes to make the crossing; this is equal to the official journey time between the central line stops of West Ruislip in the London borough of Hillingdon and Bank in the City of London. The catamaran service can achieve the crossing in around 22 minutes. The Isle of Wight is also accessible through flights from Gatwick, Heathrow, Bournemouth and Southampton, with flight times comparable to those connecting London to Manchester, Liverpool and Leeds. As such a remoteness adjustment using a proxy for journey times seems unnecessary in this instance.
91. We are also unconvinced by the argument that some specialised inputs may only be produced where demand is sufficiently concentrated. It is unclear which assistive technologies for residential care placements are referred to in the consultation document (para 2.3.15) but, in broad terms,

technologies are designed and manufactured in a single process then distributed to clients across the country as required with an installation service if necessary. As for professional training for town planners (also listed as an example of a service that may not be available in areas that are remote from major towns and cities), the Royal Town Planning Institute is represented throughout the UK and Ireland by RTPI Regions and Nations; RTPI-accredited MSc, Postgraduate Diploma, and Postgraduate Certificate level qualifications in Urban and Rural Planning are available by distance learning; and the RTPI has a virtual learning site developed to support planners and increase their knowledge of planning, online.

92. Beyond the two new proposed additions to the ACA, London Councils believes it is vital that the weightings for the ACA are calculated using the most up to date and robust data. The current weightings for the Labour and Rates Cost Adjustments used different data sources dating from 1992-93 to 2007-08, which are now extremely out of date. One of the key datasets it used was the Subjective Analysis Returns collected from a sample of local authorities who return survey data each year. We believe the importance of the Fair Funding Review justifies a one-off collection of SAR data from all local authorities to get the most reliable and accurate data on which to calculate the weightings. We also believe that the LCA, as far as is practicable, should take into account future projections, such as building in the impact of the national living wage.
93. We agree that the Rates Cost Adjustment is an important factor as it is the mechanism used to reflect the higher costs of land and buildings used by local authorities in different parts of the country. The 2017 Revaluation of business rates again resulted in disproportionate growth in rateable values in London compared with elsewhere. Average values in London rose by 24%, compared with just 4% across the rest of England. Despite having just 16% of the rateable properties in England, London's share of the total value increased from 28% to 32% in 2017. This represents the continuation of a long-term trend over the last 4 revaluations that has seen London's share of the national RV grow from just 24% in 1999-2000. London Councils therefore believes the ACA - like the population data used in the needs assessment - should factor in the likely future changes in rateable values. The Government should consider how to account for changes that will occur in future revaluations that will happen within the reset period. The next one is due in 2021.
94. Finally, if the intention is for there to be an overarching ACA rather than bespoke ones for each service formula, then London Councils believes domestic property costs should be taken into account within the ACA as well as non-domestic property. As mentioned in paragraph 28 above, much of the higher costs of homelessness experienced by London and other urban areas are because of higher property costs driving more expensive temporary accommodation. London's unique property market must be reflected in the ACA and must be weighted appropriately in any formula that includes homelessness. It is likely that residential property costs have a bearing on other services such as where accommodation is a core constituent of the service, such as residential care for the elderly and for children, and we would urge the government to explore this in more detail.

Question 5): Do you agree that the Government should continue to take account of non-discretionary council tax discounts and exemptions (e.g. single person discount and student exemptions) and the income forgone due to the pensioner-age element of local council tax support, in the measure of the council tax base? If so, how should we do this?

95. Yes. London Councils agrees that the Government should continue to take account of non-discretionary council tax discounts and exemptions and the income forgone due to the pensioner-age element of local council tax support (LCTS), in the measure of the council tax base: to do otherwise would give a misleading impression of actual capacity to raise resources locally, resulting in less efficient allocation of resources through the formula. Furthermore, local authorities have no mechanisms by which to control the resource implications of these measures as they cannot control the size of cohorts, eligibility, or generosity in any meaningful way. It is unreasonable and unrealistic to

expect local areas to absorb the local resource implications of decisions taken on such resources at the national level.

96. London Councils believes that the existing Council Tax Base form is the most appropriate source of data for informing the council tax element of the resources adjustment, and that the actual figures for these non-discretionary discounts and exemptions from the 2019 CTB form (due in October) should be used.

Question 6): Do you agree that an assumptions-based approach to measuring the impact of discretionary discounts and exemptions should be made when measuring the council tax base? If so, how should we do this?

97. Yes. London Councils believes that an assumptions-based approach is suitable for this element of the formula. Using actual amounts of non-discretionary discounts and exemptions would be contrary to the Government's second principle on resources concerning the intention not to reward or penalise local discretion. For example, authorities with more income foregone due to more generous discretionary exemptions would benefit from a smaller downward adjustment for local resources, and would therefore provide a perverse incentive toward excessive generosity that would impact unfairly on resource allocations for other areas.
98. London Councils believes that the starting position is one of local authorities bearing the full costs of discretionary discounts and exemptions, and therefore the formula should not adjust for the exercise of genuine discretion.

Question 7): Do you agree that the Government should take account of the income forgone due to local council tax support for working age people? What are your views on how this should be determined?

99. London Councils agrees that the council tax base should take some account of the mandatory obligation to provide a LCTS scheme for working age claimants as the authority must provide such a scheme, and in practice it must be of meaningful generosity. While local authorities have discretion on design and generosity, they do not have the option not to provide a scheme and, in practice, such provision must be meaningful; a local authority cannot have a working age scheme that provides only token relief e.g. of a penny or a pound. As such, there is a strong case for also making an adjustment for of the minimum possible generosity of the working age element of LCTS required to meet the legal requirement to provide such a scheme. Anything above this level would rightly be considered as a local policy choice.
100. We therefore recommend that MHCLG conducts research to establish what the minimum level of provision is in practice and use this to inform proposals for accounting for it in the council tax base calculation. This research must be transparent on both method and results, and the resultant proposals for an adjustment methodology must be subject to meaningful consultation with the sector. Given the degree of variation in design and generosity of LCTS schemes for working age people, it seems likely that a formula-based approach may be the most suitable.

Question 8): Do you agree that the Government should take a notional approach to council tax levels in the resources adjustment? What are your views on how this should be determined?

101. Yes. In practice there is no realistic alternative to using a notional amount: to take account of actual council tax would be contrary to the Government's second principle on resources concerning the intention not to reward or penalise local discretion, and to disregard council tax altogether would be inappropriate.

102. As for how this should be determined, it is impossible to come to an informed view as too many variables are unknown. The only way to be able to understand how a notional amount should be determined is to be able to test the options against a reasonable understanding of needs share. The background provided in the consultation document is insufficient.

Question 9): What are your views on how the Government should determine the measure of council tax collection rate in the resources adjustment?

103. We do not believe that actual council tax collection rates should be taken into account as this could inadvertently penalise councils that are more effective at collecting council tax.

104. We would also be concerned if any average collection rate assumption was applied across England, as councils in more deprived areas and areas with more transient populations tend to have lower collection rates due to factors outside of their control. The LGA has pointed out that there is a correlation between deprivation and collection rates, and that a formulaic approach might be suitable. We would welcome exploration of this and further analysis by MHCLG.

Question 10): Do you have views on how the Government should determine the allocation of council tax between each tier and/or fire and rescue authorities in multi-tier areas?

105. London Councils has no comments.

Question 11): Do you agree that the Government should apply a single measure of council tax resource fixed over the period between resets for the purposes of a resources adjustment in multi-year settlement funding allocations?

106. London Councils agrees a single fixed measure should be used. If a changing measure were to be used, then the Government would be pre-empting, and thereby potentially influencing, future council tax levels. As we believe that the setting of council tax levels should be entirely at the discretion of locally elected representatives, we firmly oppose any measures that would increase national influence over this process, either directly or indirectly.

Question 12): Do you agree that surplus sales, fees and charges should not be taken into account when assessing local authorities' relative resources adjustment?

107. London Councils agrees. We believe that this is appropriate as sales fees and charges are often heavily constrained by legislation, and the use of any surplus revenue is often tightly controlled by provisions set out in legislation. Where an authority has been able to make additional resources available through successful commercial activities, it is right that they should be able to benefit from this as they have taken the initiative and borne the risks involved. It would also be unfair to nullify the benefits of commercial success given that it has been central government policy for some years to encourage local authority entrepreneurialism.

108. We also draw attention to concerns expressed by the Institute for Fiscal Studies that using actual income from sales fees and charges is unattractive as it would incentivise councils to set them at lower levels than they otherwise would, as they would be at least partly compensated by higher transfer or grant funding⁴.

⁴ Neil Amin-Smith & David Phillips / The Institute for Fiscal Studies, "IFS Briefing note BN241, The Fair Funding Review: accounting for resources", August 2018, p40.

Question 13): If the Government was minded to do so, do you have a view on the basis on which surplus parking income should be taken into account?

109. We fundamentally disagree with taking surplus parking income into account.
110. It is not clear why one specific service area should be singled out and it is inconsistent with the Government's general view that sales, fees and charges should not be directly taken into account within the local resources assessment.
111. Parking income is statutorily ring-fenced and can only be spent on highways and transport services. Local authority powers to operate and set parking related charges are defined and constrained by legislation. Here it is worth noting the judgement of Mrs Justice Lang in *Attfield -v- London Borough of Barnet* that "the 1984 (Road Traffic Regulation) Act is not a fiscal measure and does not authorise the authority to use its powers to charge local residents for parking in order to raise surplus revenue for other transport purposes funded by the General Fund.⁵" Therefore, income derived from parking cannot be a legitimate source of revenue for resource adjustment purposes.
112. The inclusion of parking income would add significant complexity to the current system, which already takes into account sales, fees and charges income indirectly by using net current expenditure within its expenditure based regression models. Singling out parking income would mean that a different approach would need to be taken for highways expenditure than for all other services which, rather than simplifying the formula, would add further complexity and inconsistency. The IFS undertook a detailed review of local resources in summer 2018⁶, and concluded that "regression-based approaches are almost certainly preferable to using actual income from SFCs: they are the 'least bad' option". The cited increased complexity as a factor in this.
113. In addition, we believe that including parking income would be incompatible with the Government's own principle about rewarding or penalising authorities for exercising local discretion, as surplus parking income is the result of locally determined parking policies that consider a wider range of factors than cost recovery of service provision. For example, councils have a statutory responsibility to ensure, where reasonably practicable, the safe and expeditious movement of traffic. They also have regard to traffic management considerations in the setting of charges where appropriate. Councils are therefore often required to set pricing levels to restrain demand and enable a more effective management of its kerbside for wider transport and environmental benefits.

Question 14): Do you agree with the proposed transition principles, and should any others be considered by the Government in designing of transitional arrangements?

114. We broadly support the principles set out; however, as mentioned above, we are concerned about the lack of detail regarding the proposals for transition with just over a year to implementation. With the current proposals excluding deprivation from the foundation formula and including measures of rurality within every service formula except legacy capital finance via the ACA, we are concerned that the new formula will have a detrimental impact on the funding allocations of London boroughs who could experience significant volatility in moving to the new baselines. We urge the Government to provide further details on transition as soon as possible, and reiterate our support for the LGA's proposal that no authority should be financially worse off as a result of this review.
115. We are surprised that the consultation does not say anything about the length of the reset period – which is important to the operation of the new system and clearly has a bearing on the transitional

⁵ THE HONOURABLE MRS JUSTICE LANG DBE, Approved Judgment on Case No: 3325/2011 THE QUEEN on the application of DAVID ATTFIELD vs THE LONDON BOROUGH OF BARNET" 22nd July 2013.

⁶ Ibid.

arrangements. The Government must provide an indication on reset periods as soon as possible. Our view is that they do not necessarily need to be aligned with resetting of the business rates baselines, especially if those resets move to lagged or partial resets. While 5 years was previously mooted under the 100% proposals, we believe 3 years would be more appropriate for resetting funding baselines – to respond more quickly to changes in demand for local government services. The roll out of universal credit and the data from the 2021 census are two factors that could have a bearing on when it would be appropriate to update the funding formula – from the perspective of timely and accurate data.

Question 15): Do you have views on how the baseline should be constructed for the purposes of transition?

116. London Councils' view is that the Government needs to undertake modelling and analysis of the potential volatility caused by the move to new baselines, share that with the sector, and consider different options for the starting baselines.
117. In the first instance, we believe it would make sense that the starting baselines include 2019-20 levels of: Settlement Funding Assessment; Public Health Grant; Rural Services Delivery Grant; and Transport for London Grant. It may also be appropriate to take account of actual council tax resources in 2019-20 – as this would provide a reasonable equivalent of the new “final funding position” measure of wider resources. However, it is difficult to see how council tax could be incorporated without the Government effectively setting a target level of council tax in 2020-21 for each authority – which we would strongly oppose. Further consideration and illustrative modelling are required on this issue.
118. We would also urge the Government to consider how to alleviate the significant volatility caused by a “hard” reset of the business rates baselines. This is obviously relevant to the concurrent consultation on the 75% retention scheme design. Any areas that have had significant growth in the last 7 years will face greater volatility if this is completely wiped out under the new baselines. We would therefore urge the Government to consider using actual retained business rates plus RSG in 2019-20 (instead of simply SFA) as part of the starting baseline for transition. This would smooth the potential cliff edge – and reduce volatility for councils who have done what was asked of them and grown their rates yield since 2013. We'd welcome further analysis from the Government and further dialogue on this issue.

Question 16): Do you have any comments at this stage on the potential impact of the proposals outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

119. London Councils has no comment.