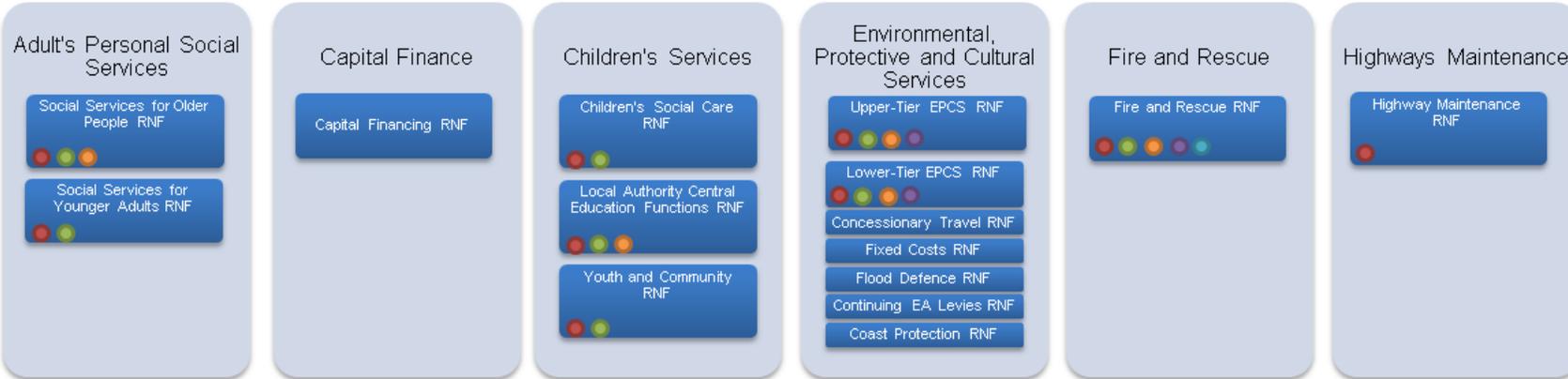


Workshop 1

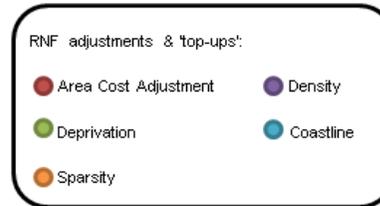
Foundation formula



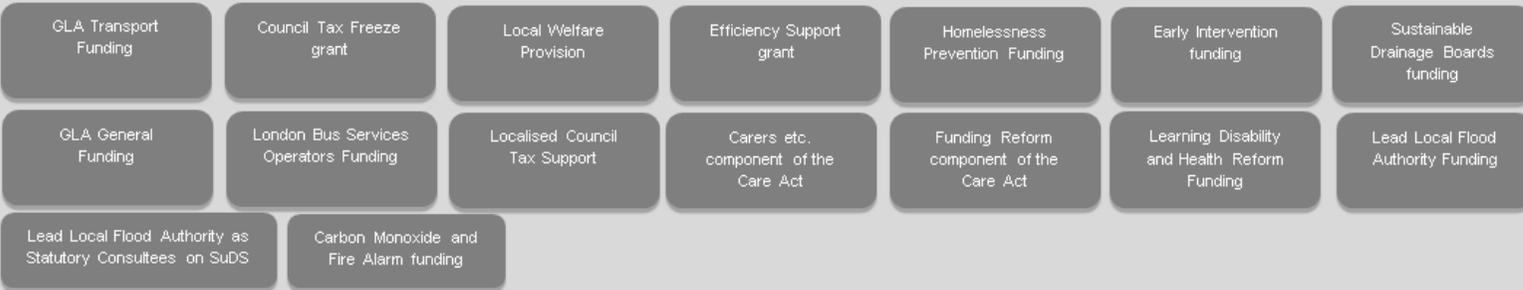
At present, 15 relative need formulas and several tailored distributions for services previously supported by specific grants are used to determine annual funding allocations for each local authority across England.

These formulas involve over 120 indicators of 'need', reflecting factors previously identified as driving the costs of service delivery.

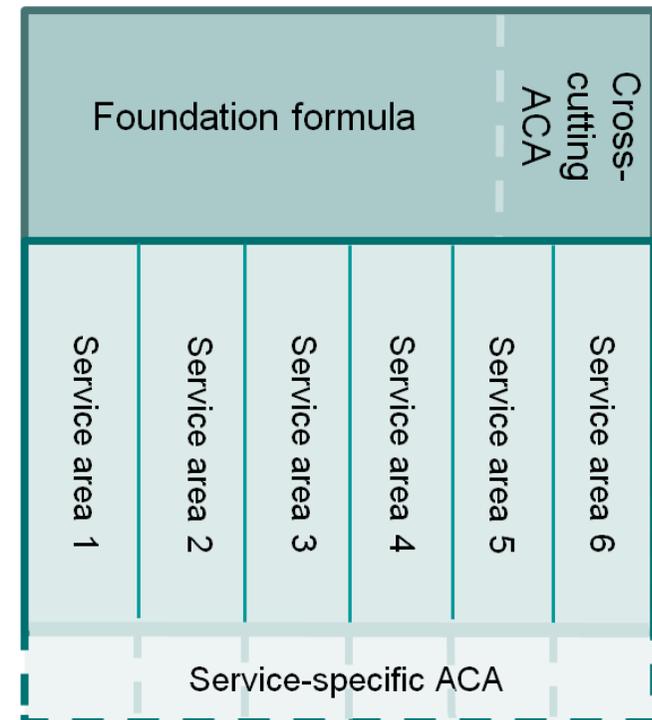
Non-ring fenced grants rolled into the settlement in 2011/12



Non-ring fenced grants rolled into the settlement from 2013/14 onwards



- A key principle of the Review is to work towards simplification.
- Foundation formula using a reduced set of common cost drivers?
 - Population
 - Deprivation
 - Rurality
 - Road length?



- 1) **What are your views on the Government's proposals to simplify the relative needs assessment** by focusing on the most important cost drivers and reducing the number of formulas involved?

- 2) Do you agree that the Government should use official **population projections** in order to reflect changing population size and structure in areas when assessing the relative needs of local authorities?

- 3) Do you agree that these population projections should not be updated until the relative needs assessment is refreshed?

- 4) Do you agree that **rurality** should be included in the relative needs assessment as a common cost driver?

- 5) How do you think we should measure the impact of **rurality** on local authorities' 'need to spend'? Should the relative needs assessment continue to use a measure of sparsity or are there alternative approaches that should be considered?

- 6) Do you have views on the approach the Government should take to Area Cost Adjustments?

- 7) Do you agree that **deprivation** should be included in the relative needs assessment as a common cost driver?

- 8) How do you think we should measure the impact of **deprivation** on 'need to spend'? Should the relative needs assessment use the Index of Multiple Deprivation or are there alternative measures that should be considered?

- 9) Do you have views on **other common cost drivers** the Government should consider? What are the most suitable data sources to measure these cost drivers?
- 9) Do you have views on the approach that the Government should take when considering **areas which represent a small amount of expenditure overall for local government, but which are significant for a small number of authorities?**
- 10) Which services do you think are most significant here?

Workshop 2

Service areas with distinct cost
drivers / weighting cost drivers

- **Number of adults by age groups**
 - **Number of adults with income and wealth that meet the means test**
 - **Number of people with higher levels of impairment**
 - **Number of people who live alone**
-
- Are the cost drivers above are the key cost drivers affecting adult social care services?
 - Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting adult social care services?

- **Number of children (under 18 years of age)**
 - **Number of children for whom parents receive Disability Living Allowance**
 - **Deprivation**
 - **Distance to schools**
-
- Are the cost drivers above are the key cost drivers affecting Children's services?
 - Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting children's services?

Highways maintenance and public transport

- **Road length**
 - **Forecast snow days / predicted grit days**
 - **Concessionary bus boardings**
-
- Are the cost drivers above are the key cost drivers affecting highways maintenance and concessionary travel? Do you have views on what the most suitable data sets are to measure these?
 - Do you have views on what the most suitable cost drivers for local bus support are? Do you have views on what the most suitable data sets are to measure the cost drivers for local bus support?

- **Number of households**
 - **Travel times**
 - **Deprivation**
-
- Are the cost drivers above are the key cost drivers affecting waste collection and disposal services?
 - Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting waste collection and disposal services?

i. Projected population

ii. Adjustments for:

- Length of coastline
- Population Density
- Population Sparsity
- Risk index (a measure of deprivation)
- Control of Major Accident Hazards (COMAH) sites which contain dangerous substances of a particular quantity
- Property and Societal Risk
- Community Fire Safety

iii. Area Cost Adjustment

- Do these remain the key drivers affecting the cost of delivering fire and rescue services?
- Do you have views on which other data sets might be more suitable to measure the cost drivers for fire and rescue services?

The purpose of the Capital Financing relative needs formula is to ensure that local authorities with borrowing commitments that were agreed to be funded through the local government finance settlement have that cost recognised in their relative needs assessment. This remains a pressure on some authorities and therefore has very specific cost drivers:

- **Outstanding debt** – The remaining proportion of debts still outstanding based on the initial value of the relevant debts and assumed capital repayments, and
 - **Interest Rates** – An assumed rate of interest that may be chargeable on the outstanding debt until the principal is fully repaid.
- Do you agree these are the key cost drivers affecting the cost of legacy capital financing?
- Do you have views on what the most suitable data sets are to measure these or other key cost drivers affecting legacy capital financing?

- Are there other service areas you think require a more specific funding formula?

- Do you have views on what the key cost drivers are for these areas, and what the most suitable data sets are to measure these cost drivers?

Weighting cost drivers and formulas

- Statistical techniques offer an evidence-based approach for determining which cost drivers have a significant impact on a council's 'need to spend' and which, therefore, should be included in a funding formula.
 - These techniques also enable the relative importance of a cost driver in determining the 'need to spend' to be quantified. (e.g. the cost of maintaining roads may depend on the length of road being maintained, the type of road, the amount and type of traffic that use the roads and forecast weather conditions).
 - Without these techniques, judgement would necessarily play a far larger role in determining funding allocations.
 - Many different statistical techniques have been used across Government to help construct funding formulas, the most commonly used of which is regression modelling.
- Do you have views about which **statistical techniques** the Government should consider when deciding how to weight individual cost drivers?