

Fair Funding Review Questions

Question 1

What are your views on the updated SFA resulting in zero allocations, and the use of mitigations to avoid zero allocations?

Consistency of data is key to this question and must be based on outturn wherever possible. The use of forecasts for business rates income in the modelling can distort the possible outcomes for a local authority and the system can be prone to manipulation.

As an authority that has consistently suffered from negative core spending power as compared to 2015/16 we know only too well the devastation that this causes and the impact of funding cuts on local residents. The use of mitigations is therefore welcomed if applied fairly and equitably.

Question 2

Do you agree with how the government proposes to determine the Council of the Isles of Scilly's Settlement Funding Assessment?

Not applicable to this authority but appears a sensible approach.

Question 3

Do you agree with the government's plans to simplify the grant landscape?

The Council agrees with the principle of simplifying grants and with the ambition to end wasteful competitive bidding and unnecessary administrative burdens. However, the following needs to be put in place:

- Further details should be shared of which grants this affects, including full transparency of how these will be rolled into the final figures in the provisional finance settlement.
- The same degree of clarity and consistency needs to apply to all government department grants, not just MHCLG.
- Multi-year settlements, including those that remain outside of RSG, needs to be provided.
- There needs to be assurance that those grants kept outside of RSG will be protected for a minimum number of years.

- The treatment of new burdens funding may be distorted by the needs assessment and local authorities may not get their full allocation as they did previously. Again, this needs to be clearly demonstrated and explained in the provisional finance settlement as the point of new burdens funding is to fully reimburse the local authority for costs already incurred.
- A final point is that homelessness is an extremely volatile area that changes month-to-month and year-to-year. We believe that Temporary Accommodation funding should not be rolled into the SFA until it has greater degrees of stability.

Question 4

Do you agree with the formulae for individual services the government proposes to include?

If Temporary Accommodation funding is to be included in the SFA then the Council supports the inclusion of a separate formula for it, however the methodology currently proposed unfairly disadvantages district and borough councils.

The Council opposes rolling in some of the funding streams without proper protections, such as New Homes Bonus, Funding Floor, and Employer's National Insurance Contribution grants. The latter being a good example where local authorities undergoing a period of transition and recruitment covered by employing large numbers of agency staff significantly lose out on NIC grants when it is solely based on salary expenditure.

The Council also has reservations about the methodology used to calculate the weighting of deprivation in the Foundation Formula and strongly disagrees with removing the separate formulae for Coast Protection, Flood Defence and Fixed Costs.

Question 5

Do you agree with the areas of need the government proposes to no longer include in the assessment through the Foundation Formula?

This council disagrees, as some of the deleted Relative Needs Formulae (RNF) were very important to district councils. This is another example where these factors should be retained until full devolution and transition to unitary councils happens. The Fixed Cost Adjustment (FCA) was particularly important and reflected the basic costs of operation in every authority. It ensured that the relative costs of employing

basic operational staff is recognised as a baseline for all local authorities regardless of size.

Another example is flood defence and coast protection, as their materiality varies between each authority. If these are to be rolled in, then it will distort the numbers and impact on the fundamental principles of simplification. It would be better if these were removed altogether and a direct section 31 grant paid based on real costs.

Question 6

Do you agree with the government's approach to calculating the control total shares for the relative needs formulae?

The Council supports the methodology used to calculate control totals, and it being based on actual spending patterns. The Council supports splitting the foundation formula control total using the expenditure patterns in shire county areas which have district and county councils. However, the focus should be on the lower tier as this is where the services that directly impact all residents are funded, and it therefore makes sense that the lower tier has a higher weighting.

Question 7

Do you agree with the Labour Cost Adjustment (LCA) and Rates Cost Adjustment (RCA) equations set out in this chapter?

The Council agrees with the proposals.

Question 8

What are your views on the proposed approach to the Area Cost Adjustment (ACA)?

The Council supports the inclusion of both the Remoteness Adjustment and the Accessibility Adjustment within the Labour Cost Adjustment. They recognise the higher unit costs that are incurred by authorities with high levels of sparsity and are remote from competitive markets. However, we are concerned about the weighting as it does not fully compensate rural authorities for the abolition of the sparsity indicators in the current formula. The Council supports the methodology for the Rates Cost Adjustment.

Question 9

*Do you agree or disagree with the inclusion of the Remoteness Adjustment?
Do you have any evidence to support or contradict the theory that rural areas face additional costs due to separation from major markets?*

The Council agrees with including the Remoteness Adjustment in the ACA, as delivering services such as waste collection over a wider geography increases costs.

Question 10

Do you agree with the government's proposal to set a notional Council Tax level at the national average level, to achieve the objective of full equalisation?

The Council agrees with the aim of full equalisation; however, this is caveated by calling for changes to the district council referendum limit for all councils that currently sit below the national average Band D council tax. This would ensure that councils below that threshold could disproportionately increase up to that level if deemed appropriate by locally elected politicians.

Question 11

Do you agree with the government's proposal to fully include the impact of mandatory discounts and exemptions in the measure of taxbase?

The Council agrees to this proposal.

Question 12

Do you agree with the government's proposal to use statistical methods to proxy for the impact of Working Age Local Council Tax Support in the measure of taxbase?

The Council agrees in principle, subject to exemplifications being shared for consultation and review.

Question 13

What are your views on the proposed statistical approach to proxy for the impact of Working Age Local Council Tax Support?

The Council disagrees with the proposed methodology as the use of IMD as a sole measure is inappropriate. It should be replaced with a weighted approach consisting of both IMD and local benefit data.

Question 14

Do you agree with the government's proposal to assume that authorities make no use of their discretionary discount and premium schemes in the measure of taxbase?

The Council agrees to the proposal.

Question 15

Do you agree with the government's proposal to apply a uniform Council Tax collection rate assumption to all authorities?

The Council agrees that a uniform rate should be applied, but this should be based on a 'good practice' collection rate of say 96% and not on 100% collection as that will never happen.

Question 16

Do you agree with the government's proposal to split or allocate the resource adjustment in multi-tier areas according to the average share in Council Tax receipts in multi-tier areas?

The Council agrees with the proposal to use average share of council tax. However care should be taken to exclude all parish / town council and Special Expense Area precepts from the calculation.

Question 17

Noting a potential trade-off of an increased levy charged on business rate growth for some local authorities, do you agree that the level of Safety Net protection should increase for 2026-27?

The Council agrees to the proposal on the basis that district councils will most likely face significant financial shortfalls following the 2026/27 business rate reset, and a safety net close to 100% would be welcomed.

Question 18

Do you agree with the government's proposal to end the New Homes Bonus in the Settlement from 2026-27 and return the funding currently allocated to the Bonus to the core Settlement, distributed via the updated Settlement Funding Assessment?

The Council agrees if managed carefully. The current one-year payment has significantly watered down the impact of NHB on councils and can cause a 'cliff edge' if the 0.4% Band D baseline level has not been met. Equally it is easier to meet the baseline in areas of the country that have a lesser concentration of Band A / Band B properties. A final point is that the current system offers an 80:20 split where the County Council receives 20% of the NHB which makes no sense. If the NHB is removed and replaced by a minimum grant 'floor' then the resulting financial impact should be broadly offset.

Question 19

What measures could the government use to incentivise local authorities to specifically support affordable and sub-market housing?

The Council would like to see a more imaginative approach taken to this by designing a housing incentive scheme that is conditional on the provision of affordable housing and resulting reductions in temporary accommodation costs.

Question 20

Are there any further flexibilities that you think could support local decision-making during the transitional period?

Firstly, by using the national average Band D council tax, changes should be made to the District Council referendum limit to allow all councils that currently sit below this amount to increase annual council tax by more than the current referendum limit of 2.99% or £5 if deemed appropriate by locally elected politicians.

Secondly, the government should devolve more flexibility to councils to set fees and charges and to recover the full cost of providing a service. This can include more powers for councils to raise and retain income locally, such as a tourist tax.

Question 21

What are the safeguards that would need to go alongside any additional flexibilities?

The Council cannot see any need for additional safeguards as accounting standards and the prudential code are already in place to safeguard against reckless activity.

Question 22

Do you agree or disagree that we should move local authorities to their updated allocations over the multi-year Settlement?

Please provide any additional information, including the impact this measure could have on local authorities' financial sustainability and service provision.

The Council agrees that the updated allocations should be phased in, but it is vital that the impact is managed through the 'floor' methodology. The fear is that reserves are spent during the period of Local Government Reorganisation as a clear result of enforcing a section 24 notice through restrictions on contractual spending and sale of assets.

Question 23

Do you agree or disagree that we should use a funding floor to protect as many local authorities' income as possible, at flat cash in each year of the Settlement?

Please provide any additional information, including on:

- The level of protection or income baseline, considerate of the trade- off with allocating funding according to the updated assessment of need and resources; and*
- The possible impacts on local authorities' financial sustainability and service provision.*

The Council agrees that a minimum funding floor (at worst 0%) is an essential part of a comprehensive transitional protection regime, noting of course that this would still mean a real terms cut in funding. It is imperative that all local authorities are treated consistently and fairly. It is important to remember that not all councils have benefited from large sums of government funding such as Towns Fund, and that these areas already have a head start on other less fortunate areas as the investment will have stimulated growth in their local economy.

Question 24

Do you agree or disagree with including projections on residential population?

The Council disagrees with the use of population projections because they are not sufficiently reliable or accurate.

Question 25

Do you agree or disagree with including projections on Council Tax level?

The Council disagrees with the use of council tax level (Band D) projections because they are not sufficiently reliable or accurate.

Question 26

Do you agree or disagree with including projections on Council Tax base?

The Council disagrees with the use of council tax base projections because they are not sufficiently reliable or accurate.

Question 27

Please provide any additional information, including any explanation or evidence for your response and any views on technical delivery. If you agree, what is your preferred method of projecting residential population, Council Tax level and Council Tax base?

The Council does not agree under question 26.

Question 28

Do you agree with the proposed above approach to determining allocations for areas which reorganise into a single unitary authority along existing geographic boundaries?

The Council agrees to the proposed approach; however the government must provide additional funding outside of the main finance settlement to enable Local Government Reorganisation to be implemented successfully.

Question 29

Do you agree that, where areas are reorganising into multiple new unitary authorities, they should agree a proposal for the division of existing funding locally, based on any guidance set out by central government?

The Council agrees, but references that this already exists in some form for new parish councils when they are created as part of a Community Governance Review process.

Question 30

Do you agree that the government should work to reduce unnecessary or disproportionate burden created by statutory duties? If you agree, what specific areas of statutory duties impose significant burden without significant value for residents?

Please provide any examples of changes you would like to see to statutory duties, being as specific as possible.

The Council agrees with the proposal, as there is scope for many of the burdens to be removed, reduced or simplified. These include:

- The regime for Freedom of Information and Subject Access Requests, where there is no legislative 'reasonability test' which can restrict the number of enquiries that are made by one individual.
- Planning appeals.
- Excessive reporting requirements for annual accounts. The view of officers for districts is that materiality should be based on that of the Upper Tier authority, hence reducing the annual audit for district councils to mainly focus on assets and pensions.
- Bureaucratic procedural requirements in legislation or statutory guidance, of which the numerous requirements to publish notices in local newspapers are only one example.

Question 31

Do you agree with the proposed framework outlined at paragraph 11.2.3 for assessing whether a fee should be changed?

Please provide any additional information, for example any additional considerations which would strengthen this proposed assessment framework, and any data which would be used to assess against it.

The Council disagrees as the framework set out in the consultation is very high-level and will not achieve what is required. There is no reason for such a cautious approach, and freedom to set all fees and charges locally for services they provide, including penalties arising from enforcement, should be given as soon as possible. This would of course be subject to a requirement not to exceed full cost recovery.

Question 32

The government invites views from respondents on how best to balance the need to maintain fee values and the original policy intent of the fee whilst minimising cost of living impacts for service users?

As stated above, the best and simplest solution is to devolve all fee setting to councils, subject only to a requirement not to exceed full cost recovery.

Question 33

Do you agree that the measures above provide an effective balance between protecting charge payers from excessive increases, while providing authorities with greater control over local revenue raising?

Please provide a rationale or your response. We are also interested in any further mechanisms which could be applied to fees that are updated or devolved, that will help strike a balance between those objectives.

The Council disagrees with the measures outlined in paragraph 11.2.5 as central government are too far removed from local circumstance and they should trust local authorities to determine an appropriate fee that recovers the cost of a service.

Question 34

Do you agree that we should take action to update fees before exploring options to devolve certain fees to local government in the longer term?

The Council disagrees as local authorities are best placed to determine the level of fees subject to cost-recovery. Alternatively, the council would support rapid steps by ministers to review fees upwards where they are set by secondary legislation.

Question 35

Do you agree or disagree that these are the right Relative Needs Indicators? Are there any other Relative Needs Indicators we should consider? Note that we will not be able to add additional indicators for a 2026-27 update.

The question is not applicable to this Council.

Question 36

Do you agree or disagree with including population projections in the ASC formula, when published, that have been rebased using Census 2021 data?

The question is not applicable to this Council.

Question 37

Do you agree or disagree with our proposal to include a Low-Income Adjustment (LIA) for the older adults component of the ASC RNF model?

The question is not applicable to this Council.

Question 38

Do you agree or disagree that the overall ASC RNF should combine the two component allocation shares using weights derived from the national ASC net current expenditure data on younger and older adults (in this case 2023 to 2024)?

If you disagree, what other weightings would you use? Please provide details for why you would use these weights and what data it would be based on?

The question is not applicable to this Council.

Question 39

Do you agree that ethnicity should be removed as a variable in the CYPS formula? Please explain your reasoning.

The question is not applicable to this Council.

Question 40

Do you agree overall that the new formula represents an accurate assessment of need for children and family services? Please share any reflections or suggested changes.

The question is not applicable to this Council.

Question 41

Do you believe that the components of daytime population inflow should be weighted to reflect their relative impact on demand for services?

The Council agrees with the proposal to include visitor population as a factor in the formula. We agree that commuters and tourists use non-social-care services at different levels of intensity than the resident population. Visitors use some services more heavily than permanent residents and this should be reflected through weighting.

Question 42

Do you agree with/have any comments on the design of the Foundation Formula?

The Council supports the aim of linking funding more tightly to demand for services and the cost of providing them. The Council also supports the aim of tackling deprivation and inequality, and that levels of deprivation are a factor in determining need, and that the weight given to deprivation should reflect the extra costs it creates for councils.

Question 43

Do you agree with/have any comments on the design of the Fire and Rescue Formula?

The question is not applicable to this Council.

Question 44

Do you agree with/have any comments on the design of the formula for Highways Maintenance?

The question is not applicable to this Council.

Question 45

Do you agree with/have any comments on the design of the formula for Home-to-School-Transport?

The question is not applicable to this Council.

Question 46

Do you have any views on the potential impacts of the proposals in this consultation on persons who share a protected characteristic?

As there are so many factors that go into determining allocations to each council it is very difficult to identify with any accuracy any impacts on persons who share a protected characteristic. A general principle is that local government aims to support those who are the most vulnerable in society.