

**LOCAL GOVERNMENT FINANCE FORMULA GRANT DISTRIBUTION:
CONSULTATION PAPER
July 2010**

Response Form

The Government would like your views on which of the options presented in the Local Government Finance Formula Grant Distribution consultation paper should go to updating and modifying the grant distribution system. This paper was published on the 28 July 2010, and can be found at the following address to <http://www.local.communities.gov.uk/finance/1112/sumcon/index.htm>

For convenience, this preformatted response form contains all the questions in the main consultation document. Please click on the relevant check boxes to activate the 'X' that will indicate your preference. Space is available after each question if you wish to include any additional comments to support your choice. There is no limit on the size of these spaces and the boxes will resize themselves. We also welcome any additional comments and alternative proposals, and these can be made in the section available at the end.

All responses, whether using this preformatted response form, or otherwise should reach us by **5pm on 6th October 2010**.

We particularly welcome responses submitted electronically. Please e-mail responses to formulagrantsreview@communities.gsi.gov.uk

If you are not able to respond by e-mail, please post your response to

Andrew Lock
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Alternatively, they may be faxed to 0303 4443294.

Confidentiality

All information in responses, including personal information, may be subject to publication or disclosure under freedom of information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation. Any such request should explain why confidentiality is necessary. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response.

I would like my response to remain confidential (please cross)

Please say why in the box below.

FORMULA GRANT DISTRIBUTION CONSULTATION RESPONSE

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CHAPTER 3: ADULTS' PERSONAL SOCIAL SERVICES

Q1 Do you agree that we should update the Low Income Adjustment (OPPSS1)?

- Agree
- Disagree

Any further comments

Although the exemplification shows that Hampshire County Council would suffer a small loss of £0.3m (0.3%) from this proposal, the County Council supports the use of more up-to-date data.

CHAPTER 4: POLICE

Q2 Do you agree the activity analysis should be updated, and a three year average used instead of the current two year average (POL1)?

- Agree
- Disagree

Any further comments

No views as Hampshire County Council is not a Police authority.

Q3 Do you agree that the log of weighted bars per 100 hectares indicator should be used in place of log of bars per 100 hectares indicator (POL2)?

- Agree
- Disagree

Any further comments

Hampshire County Council is not a Police authority so no views are expressed on this option. However, the County Council would support proposals that provide the Hampshire Police Authority with adequate funding to deal with the night time economy in Hampshire's towns and cities.

Q4 Do you agree that the three elements of Additional Rule 2 Grant should be rolled into Principal Formula Police Grant (Main Grant) and therefore distributed as through the Police Allocation Formula (POL3)?

Agree

Disagree

Any further comments

No views as Hampshire County Council is not a Police authority.

Q5 Do you agree that the whole of Additional Rule 2 Grant should be rolled into Principal Formula Police Grant (Main Grant) and therefore distributed as through the Police Allocation Formula (POL4)?

Agree

Disagree

Any further comments

No views as Hampshire County Council is not a Police authority.

CHAPTER 5: FIRE & RESCUE

Q6 Do you agree that the expenditure data used to determine the coefficients should be updated (FIR1)?

Agree

Disagree

Any further comments

The exemplifications for this option and the next (FIR2) show Hampshire County Council losing significant amounts of grant (£1.5m for FIR1 and £1.4m for FIR2), even though the County Council is not a Fire authority. The consultation paper explains that some "small amount of leakage between the authority groups" is to be expected. However a loss of grant on this scale would appear to be more than small scale leakage.

The County Council strongly opposes changes which have such a large impact on the County Council. These losses highlight that the 'four block model' is inappropriate and not fit for purpose. Changes are required to the system so that there are no "leakage" side effects for the County Council from changes to the methodology for Fire and

Rescue Services.

Q7 Should annual cashable efficiency savings be added to the updated expenditure data used to determine the coefficients should be updated (FIR2)?

- Yes
- No

Any further comments

See the response to Q6.

Q8 Would you prefer either FIR3 or FIR4 as an alternative to the current risk index?

- FIR3
- FIR4

Any further comments

No views are offered as the County Council is not a Fire authority. The 'leakage' onto the County Council at +£0.1m for FIR3 and -£0.4m for FIR4 is smaller than for options FIR1 and FIR2, but it is still surprisingly large.

CHAPTER 6: HIGHWAYS MAINTENANCE

Q9 Do you agree that the daytime visitors component of daytime population per km should be removed (HM1)?

- Agree
- Disagree

Any further comments

The County Council is surprised that the Government is unable to capture robust up-to-date information on day visitors. Hampshire attracts many such visitors and accurate data could have a significant impact on formula grant distribution.

Q10 Do you agree that the expenditure data used to determine the coefficients should be updated (HM2)?

- Agree
- Disagree

Any further comments

Although the exemplification shows that Hampshire County Council would suffer a small loss of £0.3m (0.2%) from this proposal, the County Council supports using up-to-date data.

CHAPTER 7: ENVIRONMENTAL, PROTECTIVE & CULTURAL SERVICES

Q11 Do you agree that foreign visitor nights is a suitable replacement for day visitors in the district-level and county-level EPCS RNFs (EPCS1)?

- Agree
- Disagree

Any further comments

Although the consultation paper argues that foreign visitor nights data are "highly correlated" with day visitors data, the exemplifications show that the use of foreign visitor nights causes a significant amount of turbulence in the grant allocations, including a loss of grant for Hampshire County Council of £1.1m and a transfer of over £60m of grant to London. Although the day visitor data is over 20 years old, the County Council is strongly of the view that its use in the EPCS formula should be retained until robust up-to-date information on day visitors can be developed.

Q12 Do you agree that the new GIS-based flood defence formula should be used (EPCS2)?

- Agree
- Disagree

Any further comments

Hampshire County Council does not receive any formula grant for flood defence under the current formula and yet the exemplifications show the County Council losing £0.2m from the new GIS-based formula. This suggests that the new formula or its impact within the 'four block model' is not fit for purpose.

Q13 Do you agree that the new GIS-based coast protection formula should be used (EPCS3)?

- Agree
- Disagree

Any further comments

Although Hampshire is a very minor beneficiary from the new GIS-based formula for coast protection, the questions raised by the flood defence proposals (see Q12) cast similar doubts about the proposed coast protection formula.

CHAPTER 8: AREA COST ADJUSTMENT

Q14 Do you agree with the proposal to update the weights given to the labour cost adjustment (ACA1)?

Agree

Disagree

Any further comments

This seems a sensible proposal.

CHAPTER 10: SCALING FACTOR

Q15 Do you agree think that the scaling factor for the central allocation should be close to one, so that equal importance is attached to the amounts above and below the threshold?

Yes (if yes, please answer Q16)

No

Any further comments

The theoretical reasons for maintaining the scaling factor for the central allocation at close to one are not strong. More important is the distribution of the available formula grant between relative needs, relative resources and the central allocation. Hampshire County Council supports allocating as much as possible through the central allocation, with lower amounts allocated according to relative needs and lower negative allocations according to relative resources.

Q16 If so, would you prefer Ministers to be able to set judgemental weights for the Relative Needs Amount (CAS1) or the Relative Resource Amount (CAS2)?

CAS1

CAS2

Any further comments

As outlined in the answer to Q15, allocations according to relative needs and relative resources should be reduced. If, however, the Government decide to adopt one or other of these options, CAS1 is preferred.

CHAPTER 11: FLOOR DAMPING LEVELS

Q17 Over the next Spending Review period, do you think that the floor level should be set close to the average change or such that it allows some formula change to come through for authorities above the floor?

- Close to the average
- Allows formula change to come through

Any further comments

In practice, it seems unlikely that this consideration will be the most significant factor that will need to be taken into account in the floor damping arrangements. It will be more important to decide how much protection should be offered to authorities whose proposed undamped formula grant allocation is significantly lower than their grant for the previous year.

Unless the Government adopts changes to the formula grant distribution methodology which significantly increase the County Council's share of undamped formula grant, the floor damping percentage should be set as high as possible.

CHAPTER 12: TRANSFERS AND ADJUSTMENTS

Questions 4 and 5 on Additional Rule 2 grant are shown in the Police section above and not repeated here.

Q18 Which of the four options for removing concessionary travel from lower-tier authorities do you prefer?

- CONCF1
- CONCF2
- CONCF3
- CONCF4

Any further comments

CONCF3 incorporates the most logical option for the lower tier authorities' relative needs formula (by reverting back to the position before £350m was added to formula grant in 2005/06 to fund free concessionary for people aged 60 and disabled people). It also uses the better option for adjusting the base position for floor damping (by using actual expenditure on concessionary fares). The exemplifications also suggest that CONCF3 would be the least turbulent of the four options, particularly after floor damping.

However, the impact on individual authorities is significant for some district councils and the Government should consider whether action needs to be taken to protect all authorities from these impacts.

Q19 Which of the six options for rolling in concessionary travel to upper-tier authorities do you prefer?

- CONCF5
- CONCF6
- CONCF7
- CONCF8
- CONCF9
- CONCF10

Any further comments

The Government's decision not to issue exemplifications for all 24 of the possible options is disappointing.

The aim should be to limit the redistributive effect on grant allocations of transferring responsibility for concessionary fares from district councils to county councils.

None of the options appear to achieve that aim, according to the limited exemplifications published by the Government.

Whilst CONCF5 seems to be broadly cost neutral for Hampshire County Council, the loss of £2.0m (2.7%) of grant after damping for the Hampshire district councils would be very difficult for them to accommodate. The Government would need find some means of protecting district councils from such large losses.

The Government should devise an appropriate mechanism to reflect the impact of the proposals to transfer the responsibility for concessionary travel that is as close as possible to the actual financial burden for individual authorities.

Q20 Should concessionary travel have its own sub-block (within the EPCS block)?

- Yes
- No

Any further comments

It is hoped that the Government will introduce a much more transparent formula grant system for 2013/14. In the meantime, there would be little benefit from giving concessionary travel a separate sub-block, given the overriding opaqueness of the 'four block model'. However, if the Government decides to introduce a separate sub-block for concessionary travel, it should also establish a separate sub-block within EPCS for waste management on which approximately three times as much is spent nationally than on concessionary travel. This would make clear the significance and rate of growth of spending on waste management.

Q21 Do you agree with the methodology for adjusting the base position for unadopted drains?

Yes

No

Any further comments

No comments, as this should not affect the County Council.

CHAPTER 13: THE INCAPACITY BENEFIT AND SEVERE DISABLEMENT ALLOWANCE

Q22 Do you agree that the incapacity benefit and severe disablement allowance indicator should use quarterly data rather than annual data (DATA1)?

Agree

Disagree

Any further comments

This seems a sensible proposal.

CHAPTER 14: REPLACING THE CHILDREN'S INCOME SUPPORT BENEFIT INDICATOR

Q23 Do you agree that children in out-of-work families receiving Child Tax Credit (CTC) should replace the current children of Income Support / (income-based) Jobseeker's Allowance claimants (DATA2)?

Agree

Disagree

Any further comments

This seems a sensible proposal, although it does result in more turbulence in formula grant allocations than might be expected from the "very strong relationship" between the two sets of data claimed in the consultation paper.

CHAPTER 15: STUDENT EXEMPTIONS AND THE COUNCIL TAXBASE

Q24 Would you prefer that May data only is used for the student exemptions adjustment in the taxbase projections (DATA3)?

Yes

No

Any further comments

The use of May and October data should be retained to give a better picture throughout the year of student occupation than May data only.

CHAPTER 16: UPDATING DATA ON LOW ACHIEVING ETHNIC GROUPS

Q25 Do you agree that the new definition of secondary school pupils in low achieving ethnic groups should be used (DATA4)?

Agree

Disagree

Any further comments

This seems to be a sensible proposal.

ANY OTHER COMMENTS

Do you have any alternative proposals?

This response template does not include a separate opportunity to comment on the additional question about splitting the City of London for floor damping purposes between police and non-police services. In theory, this proposal should not be a matter of concern for Hampshire County Council, but the exemplifications show that it does result in a small increase in the County Council's formula grant after floor damping of £0.1m. This highlights the lack of transparency in the existing formula grant system and it may suggest that the floor damping increases should be set at a more refined level than the current one decimal place (eg, 1.5% for education and personal social services authorities).

Resource equalisation

The County Council urges the Government to reconsider the existing practice of needs and resources equalisation which has transferred grant funding away from Hampshire and the South East to the North and the Midlands. This is a continued drain on the country's power house, resulting in a significantly disadvantaged outcome on service provision.

Area cost adjustment

In response to previous consultations on formula grant distribution, Hampshire County Council has pointed out the unfair impact of combining Hampshire and the Isle of Wight for Area Cost Adjustment (ACA) purposes. Special treatment may be necessary to reflect the Isle of Wight's island status but that should be funded from national resources, similar to the additional support given to the Isles of Scilly

through the formula grant. The present mechanism for combining Hampshire and the Isle of Wight for ACA purposes requires Hampshire to meet in full the cost of additional support for the Isle of Wight. The County Council asks that the Government changes this unfair arrangement so that the Hampshire area is treated separately for ACA purposes.

Waste management

The County Council has previously pointed out that Hampshire's long-term waste management contract with the private sector does not attract formula grant support, unlike other local authorities' private finance initiative (PFI) schemes. Hampshire's contract pre-dates these PFI arrangements. It set the exemplar for waste management with by far the lowest proportion of waste sent to landfill. Other local authorities' subsequent waste contracts have benefited from PFI credit support towards their major infrastructure investment schemes, but Hampshire has not. The County Council urges the Government to rectify this omission in the proposed forthcoming review of the formula grant system.

Supported borrowing

The County Council is disappointed that the Government has not taken this opportunity to rectify the anomaly in its 'supported borrowing' arrangements. Since the change made by the Government in 2006/07 to the floor damping arrangements, local authorities such as the County Council, that are subject to the formula grant floor, have not received any additional revenue grant towards capital financing charges arising from so-called 'Government supported' borrowing allocations. The County Council asks that this anomaly is eliminated in the proposed further review of the formula grant distribution system.

Do you have any other comments?

Thank you for completing this response form.