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Settlement Working Group – March 2010 Meeting

23 March 2010

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1. Introduction

- 1.1. The Department for Communities and Local Government (DCLG) led technical working group, examining possible changes to the local government finance system from 2011/12, will meet on 23 March 2010.
- 1.2. The following papers are due to be discussed at the meeting:

Reference	Title
	<u>Children's Services</u>
SWG 10/08	Potential Impact on the Children's Services RNF Formula of the Review of the Dedicated Schools Grant
	<u>Adult Social Services</u>
SWG 10/09	Preserved Rights Transfer
SWG 10/10	Learning Disabled Transfer
	<u>EPCS</u>
SWG 10/11	Flood and Coast
SWG 10/12	New regression-based EPCS formulae
SWG 10/13	Concessionary Fares Regressions
SWG 10/14	Concessionary Fares Formulae Options (NOT PUBLISHED)
SWG 10/15	Concessionary Fares Transfer Options (NOT PUBLISHED)
SWG 10/23	Distribution of Concessionary Fares funding (Association of North-East Councils (ANEC))
	<u>Highway Maintenance</u>
SWG 10/16	Regressions against past expenditure

SWG 10/18	Updating the existing formula for updated expenditure data
SWG 10/19	Highway maintenance RNF paper (Cambridgeshire CC)
SWG 10/20	<u>ACA</u> Summary paper of the review of the Police and Fire ACA
SWG 10/21	<u>Other</u> Local Authority Restructuring in Year 1 of a 3-Year Settlement
SWG 10/22	Format of exemplifications in Consultation paper

- 1.3. Papers SWG 10/09 Preserved Rights Transfer, SWG 10/11 Local Authority Funding for Flood and Coastal Erosion Risk Management, SWG 10/12 New regression-based EPCS formulae, SWG 10/16 Highway Maintenance Regressions against past expenditure, SWG 10/18 Updating the existing [Highway Maintenance] formula for updated expenditure data and SWG 10/20 Summary paper of the review of the Police and Fire ACA include financial exemplifications at an individual local authority level. The relevant figures for your authority are highlighted within this briefing note.
- 1.4. This briefing note is intended to summarise the papers that are being presented to the SWG meeting¹; and highlight any particular issues of note for local authorities. It is structured using the SWG Agenda for the meeting.

2. Children's Services

SWG 10/08: Potential Impact on the Children's Services RNF Formula of the Review of the Dedicated Schools Grant

- 2.1 This paper notes that the DCSF has recently published its consultation paper on the future distribution of school funding. LG Futures is currently preparing a briefing note on this consultation paper to be circulated to all subscribers to its Funding Briefing Service.
- 2.2 As part of this consultation, DCSF are considering revising the 'sparsity' and 'secondary low achieving group' indicators within a new Dedicated Schools Grant

¹ All papers can be downloaded here: <http://www.local.communities.gov.uk/finance/1112/swg/100323.htm>

formula. These indicators currently feature within the Local Authority Central Education Functions RNF formula – therefore DCSF wishes to establish whether SWG members have any immediate concerns regarding their proposed changes to these indicators.

- 2.3 DCSF are proposing to calculate a sparsity measure using pupil number data from the School and Early Year Censuses – currently the full child population is used.
- 2.4 DCSF are also proposing to include ‘Any Other White Background’ and to exclude ‘Bangladeshi’ and ‘Any Other Ethnic Group’ in the definition of the ‘Secondary Low Achieving Ethnic Groups’ indicator. The department states that these *“changes are purely technical and are derived from analysis of pupil attainment and progress data.”*
- 2.5 No further information is provided concerning the financial impact on individual authorities arising from the above changes.

3. Adult Social Services

SWG 10/09: Options for Distributing the Preserved Rights Grant from 2011/12.

- 3.1 The Department for Health (DH) is considering future allocation options for distributing funding for Preserved Rights. Currently the funding is provided through the Area Based Grant and is allocated using client numbers in 2002.
- 3.2 DH suggests there are three possible options to be considered for distributing the Preserved Rights funding post 2011/12:
 - Option 1: continue to distribute based on caseload data (although update to use 2009 data) and remaining as part of the Area Based Grant (ABG);
 - Option 2: remaining part of the ABG but to be distributed using the existing social care Relative Needs Formulae; or
 - Option 3: transfer the funding into formula grant.
- 3.3 The first two options were examined at the SWG meeting in February 2010. This paper was intended to provide exemplifications concerning option 3. The figures for your authority are provided below:

Rolling Preserved Rights Grant into Formula Grant				
	Before Damping Change		After Damping Change	
	(£ million)	(%)	(£ million)	(%)
Ashford	-0.008	-0.1%	-0.003	0.0%
Canterbury	0.017	0.1%	-0.001	0.0%
Dartford	-0.002	0.0%	-0.001	0.0%
Dover	0.005	0.1%	0.000	0.0%
Gravesham	0.005	0.1%	0.000	0.0%
Medway	-0.020	0.0%	-0.246	-0.3%
Sevenoaks	-0.030	-0.5%	0.000	0.0%
Shepway	0.003	0.0%	0.000	0.0%
Swale	0.012	0.1%	0.001	0.0%
Thanet	0.014	0.1%	0.002	0.0%
Tonbridge and Malling	-0.021	-0.3%	0.000	0.0%

SWG 10/10: Transfer of Learning Disability Social Care Funding and Commissioning from the NHS to Local Government.

- 3.4 Responsibility for commissioning and funding of social care for adults with learning disabilities transferred from the NHS to local government from April 2009. In 2009/10 and 2010/11 the associated funding has been transferred between PCTs and local authorities based on local agreements. From 2011/12 the relevant funding will be transferred centrally. In 2008/09 PCTs reported that expenditure on Learning Disability (LD) services was approximately £2.8bn.
- 3.5 The paper identifies three potential mechanisms in which the funding transfer could be undertaken from 2011/12:
- (1) Formula Grant
 - (2) Area Based Grant
 - (3) Specific ring-fenced grant.
- 3.6 This paper examines possible options for the funding transfer, other than by rolling the funding into Formula Grant. It examines:
- Option 1: Distributing funding using the reported local transfer figures
- Option 2: Distribute via the Younger Adults Relative Needs Formula
- Option 3: Use projected prevalence of learning disabilities derived from the Centre for Disability Research Survey

Option 4: Distribute via a regression model different to RNF

- 3.7 The narrative appears to suggest that there are risks inherent in adopting any of the above options, however adopting the RNF formula, in particular, would “*place significant challenges to some authorities who risk losing large sums of money*”. The paper also notes that the East and South East stand to have the largest number of losers under an RNF allocation method. No individual financial exemplifications are provided.
- 3.8 Further, DH report that they have been unable to develop a new formula (Option 4) and there is unlikely to be a good fit between the data derived for Option 3 and actual funding need. Therefore the paper concludes by proposing that if using a funding route other than Formula Grant, Option 1 (using the actual transfer values) should be adopted.

4. Environmental, Protective & Cultural Services (EPCS)

SWG 10/11: Local Authority Funding for Flood and Coastal Erosion Risk Management

- 4.1 This DEFRA paper notes that “*the Settlement Working Group has been keen to switch from indicators based on expenditure to indicators based on the evidence of need for funding*” our perception has been that this is a DEFRA driven initiative.
- 4.2 The paper contains 4 exemplifications:
- Exemplification 1: Transfer of responsibility – Models the effect of transferring £50m for private sewers from local authorities to sewerage and water companies.
 - Exemplification 2: Coastal Activity – Replaces the Coast Protection RNF with a new Coast Erosion RNF
 - Exemplification 3: Ordinary Watercourses (1st option) – Models the effect of using the GIS assessment for management of ordinary watercourses
 - Exemplification 4: Ordinary Watercourses (2nd option) – As above but also uses Internal Drainage Board levy expenditure data as an indicator.
- 4.3 The exemplifications for your authority are as follows:

	Before Floor Damping							
	Exemp 1		Exemp 2		Exemp 3		Exemp 4	
	£m	%	£m	%	£m	%	£m	%
Ashford	-0.101	-1.3%	-0.006	-0.1%	-0.015	-0.2%	0.061	0.8%
Canterbury	-0.141	-1.1%	-0.194	-1.5%	-0.033	-0.3%	0.020	0.1%
Dartford	-0.086	-1.2%	-0.004	-0.1%	-0.229	-3.1%	-0.122	-1.7%
Dover	-0.105	-1.1%	0.128	1.3%	-0.002	0.0%	-0.007	-0.1%
Gravesham	-0.094	-1.1%	-0.004	-0.1%	-0.041	-0.5%	-0.012	-0.1%
Medway	-0.221	-0.3%	0.007	0.0%	-0.345	-0.4%	-0.024	0.0%
Sevenoaks	-0.092	-1.6%	-0.006	-0.1%	0.050	0.9%	0.024	0.4%
Shepway	-0.101	-1.0%	0.249	2.6%	-0.344	-3.6%	-0.086	-0.9%
Swale	-0.128	-1.1%	0.186	1.5%	-0.215	-1.8%	0.005	0.0%
Thanet	-0.140	-1.1%	0.058	0.4%	-0.040	-0.3%	-0.003	0.0%
Tonbridge and Malling	-0.090	-1.4%	-0.006	-0.1%	-0.411	-6.5%	-0.094	-1.5%

- 4.4 The paper asks for views on which of the options exemplified in 3 and 4 the SWG prefers.

SWG 10/12: Regression Based EPCS Formulae

- 4.5 This paper updates the group on DCLG's latest progress in determining a new methodology for calculating the EPCS RNF which is based primarily on regressions (i.e. indicators are selected on the basis that they correlate with previous expenditure patterns) as opposed to ministerial judgement.
- 4.6 The following exemplification highlights the potential impact on your authority of moving to regression-based EPCS formulae:

KENT				
Local Authority	Formula Grant Before Floor Damping		Formula Grant After Floor Damping	
	Change		Change	
	(£ million)	(%)	(£ million)	(%)
Ashford	-0.361	-4.5%	-0.486	-6.1%
Canterbury	-0.871	-6.6%	-0.919	-7.3%
Dartford	-0.442	-6.0%	-0.462	-6.3%
Dover	0.988	10.3%	-0.537	-5.3%
Gravesham	1.033	12.4%	-0.436	-5.3%
Medway	0.682	0.8%	0.069	0.1%
Sevenoaks	-1.667	-29.2%	-0.373	-5.9%
Shepway	-0.182	-1.9%	-0.579	-5.8%
Swale	1.244	10.3%	-0.652	-5.5%
Thanet	1.503	11.4%	-0.682	-5.2%
Tonbridge and Malling	-0.243	-3.8%	-0.382	-5.9%

SWG 10/13 and 10/14: Concessionary Travel Regressions and Exemplifications

- 4.7 Following the discussions concerning paper SWG 10/02 at the February 2010 meeting, DCLG requested SWG members suggest variables which they would like to see tested in the regressions for Concessionary Travel (i.e. which indicators would correlate highly with an authority's need to spend on Concessionary Travel). London Councils, the Association of North East Councils and SPARSE responded.
- 4.8 Subsequent to publishing Papers 10/13 and 10/14, DCLG have found that the expenditure data they had used to run regressions was wrong, in that it did not take into account a £20m adjustment from Transport for London to the London Boroughs. DCLG therefore intend to re-run the exemplifications, contained in paper SWG 10/14, before the Formula Grant Distribution consultation paper is published in Summer 2010.

SWG 10/23 Distribution of funding for Concessionary Fares

- 4.9 This paper has been prepared by the Treasurer of Tyne and Wear Integrated Transport Authority (Tyne and Wear ITA).
- 4.10 The Tyne and Wear ITA is concerned that using 'traditional' indicators from the formula grant settlement will not be sensitive to distribute funding amongst local authorities for Concessionary Fares.
- 4.11 The paper continues to suggest a number of indicators (e.g. total concessionary travel boardings in 2008/09) that should be further investigated; and raises concerns about the possibility of using a Country of Birth indicator as a proxy for deprivation.
- 4.12 The paper concludes by suggesting a hybrid funding approach (i.e. the majority of funding being distributed through formula grant with a 'judgemental' specific grant top-up being retained to be used where necessary) be implemented.

5. Highway Maintenance

- 5.1 This paper updates the group on DCLG's latest work undertaking Highway Maintenance regressions.
- 5.2 DCLG have exemplified the financial effects of implementing two different Highways Maintenance models:

Suggested indicators

	Winter Service Indicators	Non Winter Service Indicators
Model 1	National Parks per KM Predicted Gritting Days	Enhanced Population per KM Population Density Population Sparsity Weighted Usage
Model 2	National Parks per KM Weighted Winter Weather	Population Density Population Sparsity Weighted Usage

Local authorities excluded from regressions to obtain best fit.

	Winter Service Indicators	Non Winter Service Indicators
Model 1	Bracknell Forest, Kingston upon Thames Harrow	Kensington & Chelsea Portsmouth
Model 2	Bracknell Forest, Kingston upon Thames Harrow	Kensington & Chelsea Portsmouth

5.3 The financial exemplifications for your authority are as follows:

Local Authority	Model 1			
	Formula Grant Before Change		Formula Grant After Change	
	(£ million)	(%)	(£ million)	(%)
Ashford	-0.002	0.0%	-0.001	0.0%
Canterbury	0.010	0.1%	0.000	0.0%
Dartford	-0.006	-0.1%	-0.002	0.0%
Dover	-0.003	0.0%	0.000	0.0%
Gravesham	-0.001	0.0%	-0.001	0.0%
Medway	-1.211	-1.4%	-0.401	-0.5%
Sevenoaks	-0.011	-0.2%	0.000	0.0%
Shepway	-0.013	-0.1%	0.000	0.0%
Swale	0.000	0.0%	-0.001	0.0%
Thanet	-0.010	-0.1%	-0.003	0.0%
Tonbridge and Malling	-0.003	-0.1%	0.000	0.0%

Model 2				
Local Authority	Formula Grant Before		Formula Grant After	
	Change		Change	
	(£ million)	(%)	(£ million)	(%)
Ashford	-0.002	0.0%	-0.001	0.0%
Canterbury	0.012	0.1%	0.000	0.0%
Dartford	-0.007	-0.1%	-0.003	0.0%
Dover	-0.004	0.0%	0.000	0.0%
Gravesham	-0.001	0.0%	-0.001	0.0%
Medway	-0.479	-0.6%	-0.193	-0.2%
Sevenoaks	-0.013	-0.2%	0.000	0.0%
Shepway	-0.015	-0.2%	0.000	0.0%
Swale	0.000	0.0%	-0.001	0.0%
Thanet	-0.012	-0.1%	-0.004	0.0%
Tonbridge and Malling	-0.004	-0.1%	0.000	0.0%

SWG 10/18: Updating the Highway Maintenance RNF Expenditure Base

- 5.4 This paper provides exemplifications for the Highways Maintenance RNF for removing day visitors from the current formulae (the department note that the Day Visitors data will no longer be used from 2011/12 as it will be over 20 years since the data was produced); and updating the expenditure base (using the average 2006/07 to 2008/09 expenditure).
- 5.5 The exemplifications for your authority are as follows:

Removing Day Visitors				
Local Authority	Formula Grant Before		Formula Grant After Floor	
	Difference		Difference	
	(£ million)	(%)	(£ million)	(%)
Ashford	0.000	0.0%	0.000	0.0%
Canterbury	-0.001	0.0%	0.000	0.0%
Dartford	0.001	0.0%	0.000	0.0%
Dover	0.000	0.0%	0.000	0.0%
Gravesham	0.000	0.0%	0.000	0.0%
Medway	0.046	0.1%	0.014	0.0%
Sevenoaks	0.001	0.0%	0.000	0.0%
Shepway	0.001	0.0%	0.000	0.0%
Swale	0.000	0.0%	0.000	0.0%
Thanet	0.001	0.0%	0.000	0.0%
Tonbridge and Malling	0.000	0.0%	0.000	0.0%

Updating the Regression Base				
Local Authority	Formula Grant Before		Formula Grant After Floor	
	Difference		Difference	
	(£ million)	(%)	(£ million)	(%)
Ashford	0.000	0.0%	0.000	0.0%
Canterbury	-0.002	0.0%	0.000	0.0%
Dartford	0.001	0.0%	0.000	0.0%
Dover	0.001	0.0%	0.000	0.0%
Gravesham	0.000	0.0%	0.000	0.0%
Medway	0.115	0.1%	0.043	0.1%
Sevenoaks	0.002	0.0%	0.000	0.0%
Shepway	0.002	0.0%	0.000	0.0%
Swale	0.000	0.0%	0.000	0.0%
Thanet	0.002	0.0%	0.001	0.0%
Tonbridge and Malling	0.001	0.0%	0.000	0.0%

SWG 10/19: Highway Maintenance RNF Paper (South Cambridgeshire CC)

- 5.6 This paper was prepared by the Head of Transport Asset Management at South Cambridgeshire CC .
- 5.7 The paper argues that amongst Highway Engineers *“there is a feeling that the RNF should identify the factors which cause highway damage.”*
- 5.8 Suggested indicators include: Frost; GIS based Road Lengths; Percentage of HGV’s on the Network; Rainfall etc.

6. ACA

SWG 10/20: Summary paper for the review of Police and Fire ACA

- 6.1 This paper notes that Welsh authorities are currently included in the ACA (for the purposes of police grant) even though the local government finance settlement does not allocate money for Wales.
- 6.2 The paper includes a financial exemplification of the effect of excluding the Welsh authorities from the ACA, as follows:

Local Authority	Formula Grant Before		Formula Grant After Floor	
	Change		Change	
	(£ million)	(%)	(£ million)	(%)
Ashford	-0.023	-0.3%	-0.005	-0.1%
Canterbury	-0.029	-0.2%	0.004	0.0%
Dartford	-0.023	-0.3%	-0.005	-0.1%
Dover	-0.023	-0.2%	0.000	0.0%
Gravesham	-0.020	-0.2%	-0.003	0.0%
Medway	-0.187	-0.2%	-0.100	-0.1%
Sevenoaks	-0.028	-0.5%	0.000	0.0%
Shepway	-0.022	-0.2%	0.000	0.0%
Swale	-0.027	-0.2%	-0.003	0.0%
Thanet	-0.030	-0.2%	-0.005	0.0%
Tonbridge and Malling	-0.022	-0.3%	0.000	0.0%

7. Other

SWG 10/21: Local Authority Restructuring in Year 1 of a 3-Year Settlement

- 7.1 This paper sets out the DCLG's proposed approach to deriving appropriate indicators, and a 2010/11 baseline position, for the new unitary authorities of Exeter and Norwich in the calculation of formula grant for 2011/12.

SWG 10/22: Exemplifications in the 2010 Summer Consultation Paper

- 7.2 This paper explains that the financial exemplifications contained within the 2010 Formula Grant Distribution consultation paper, expected to be published in Summer 2010, will be based on those authorities in existence as at 1 April 2010. The consultation paper is therefore not expected to highlight the financial impact of any RNF methodology changes on local authorities which reorganised post April 2010.

LG Futures
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