

Local Authority Funding Reform: Response to Government Consultation

The Government is reviewing the way funds are allocated to local authorities. The review concerns the way that funds are shared between authorities, not the total amount (which is of course inadequate). In December, the Government launched a consultation on principles of reform, which I have responded to (attached). I welcome the review and believe it should give better recognition to the costs of providing services in deprived areas. The consultation is technical in nature, and my response is necessarily so. Below is a summary of the key points I have made:

1. I have drawn attention to the way cuts made by the previous government disadvantaged deprived areas such as Leicester. Additionally, we lack the ability to compensate for cuts because we raise less money from council tax than more affluent areas do.
2. Whilst the review concerns how the national funding “pot” is shared between authorities, the real problem is that there is not enough money in the pot. Funding has not kept pace with growing cost pressures.
3. The proportion of our budget that has to be spent on statutory services such as social care needs fixing before any new system could work properly.
4. The Government wants to simplify the formulae used, which is supported. The current funding formulae are obsolete and the need for reform is self-evident.
5. There are dangers in assuming that past spending patterns are a good guide to spending need, which has been done in past reviews. This is because deprived authorities are now spending less than they need (due to the impact of funding cuts).
6. Some money gets distributed on the basis that there are areas which have higher costs. This mainly benefits London and south-east authorities who have higher wage and property costs, and rural authorities where staff have to cover longer distances to visit clients. The Government plans to continue this approach, which we acknowledge. However, we are keen to ensure that this money is no more than necessary.
7. I have asked that there is proper recognition of different authorities’ ability to raise council tax. The Government proposes to do this, but from past experience we know that such “equalisation” can get out of date (when the Government does not adjust its council tax assumptions to reflect how much authorities are really having to spend). In practice, this means the share affluent authorities receive starts to creep up over time.
8. Finally, there is the important question of transition. The Government will give authorities time to adjust to different levels of grant, and “gainers” from the review will take longer to get what the new formula says they need. Transition after the previous funding review in 2013 never concluded, which means (amongst other things) we are still receiving grant based on a much lower population than we currently serve. I have emphasised the need for a short transition period.

Peter Soulsby,

City Mayor